

# **DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

**Argeo Paul Cellucci, Governor  
Jane Wallis Gumble, Director**

## **ORGANIZING FOR ECONOMIC DEVELOPMENT MUNICIPAL AND REGIONAL OPTIONS**

### **A HANDBOOK ABOUT:**

**Community Development Corporations  
Economic Development Industrial Corporations  
Development and Industrial Commission  
Redevelopment Authorities  
Urban Redevelopment  
Chambers of Commerce  
Community Development Departments  
Private Non-Profit Economic Development Corporations  
Local Development Corporations**

### **PREFACE**

Developing the appropriate organizations to plan and implement economic development in cities, towns, neighborhoods and regions is an important and complicated process. This handbook provides a framework for developing the organization(s) best suited to your community's particular circumstances. *Organizing for Economic Development* reviews the existing options that communities in Massachusetts have used to plan and carry out economic development. These organizational forms, however, are not set in concrete. Any inventory of organizational options and experiences will be continually changing. Many communities use the same type of organization in different ways and often piece organizations together in ways that meet their unique circumstances. Other communities create their own organizations with or without state approval. Our conversations with dozens of people around the Commonwealth show us that organizational forms are continually evolving. Consequently, we see this handbook as setting the stage for influencing and changing economic development organizing in communities throughout the Commonwealth.

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## CHAPTER ONE:

### INTRODUCTION

Most municipalities in the Commonwealth - whether they are small towns with a single Main Street or large cities with miles of commercial and business activity - are concerned with the economic well-being of their residents and the vitality of the business community. These concerns often prompt local governments and residents to take steps to guide, shape and strengthen the local economy by creating and retaining local job opportunities, expanding the local tax base, and improving the quality of life in the city or town.

To plan and carry out these economic development activities, municipalities have used a wide range of organizational forms, including: Redevelopment Authorities, Economic Development Industrial Corporations, Local Development Corporations, Community Development Corporations, Community Development Departments, Urban Redevelopment Corporations, Industrial Development Finance Authorities, and Industrial Development Commissions.

Why are there so many different organizational entities? Why will one municipality in Massachusetts use one approach and another municipality choose another entity? How does a region, city, town or neighborhood contemplating economic development decide which organizations to create?

The purpose of this handbook is to help you answer these questions.

While the names of these organizations may sound alike, it does not mean that they can all do similar tasks, get funds from the same resources, have the same legal powers, or affect the local economy in the same ways. Determining the most appropriate organizational form can be complicated and depends on:

- *The economic development strategy and tools needed to carry out that community's strategy* - should the organization, for example, be able to provide loans to existing businesses, purchase and redevelop property, or recruit business to the community?
- *The geographic scope of the problem being addressed* - should the organization be targeted to one neighborhood, the entire city or town, or a sub-state region?
- *The level of public and private sector participation needed* - should the organization be within the public sector, a partnership of public and private interests, or be in the hands of residents or businesses without government involvement?

Ideally, the particular organizational structure which the municipality chooses should come from the specific circumstances and opportunities in that community. Numerous questions must be answered, such as:

- What is the nature of the local economic problems?

- What are the town's or city's economic development goals?
- What type of economic development strategy is the city or town pursuing?
- What is the geographic scope of the problems the municipality is addressing?
- How important is private sector participation to the implementation of the strategy?
- What type, level and source of funding is needed to carry-out the economic development strategy?
- What is the local political environment?
- What are existing organizations doing in the economic development area?
- How can the municipality best access grant monies?
- What level of staffing will the economic development organizations need and where can the money come from?

In an ideal situation, each city or town in Massachusetts would carefully consider all of these issues when deciding what type of organizational structure to use for its economic development activities; unfortunately, this is just not the case. In reality, the type of organization developed, more often than not, was determined primarily by the sources of funding available from the state and federal government or for project-specific activities at different points in time. When federal Urban Renewal Funds were plentiful, many cities created **Redevelopment Authorities** designed to access these funds; the availability of tax-exempt financing through industrial

revenue bonds led to the decision to establish **Industrial Development Finance Authorities**; access to the US Small Business Administration 502 financing program caused some localities in Massachusetts to organize their economic development programs under **Local Development Corporations** which met SBA standards; finally, when the Massachusetts Community Development Finance Corporation was created in the late 1970's to provide financing for projects managed by **Community Development Corporations**, some municipalities responded by creating such an entity. Organizations created to respond to funding opportunities often stagnated when funding options changed.

Some municipalities continue to choose the organizational form or forms to carry out their economic development agendas in an ad hoc fashion. In some cases, the choice is made based on what is most familiar, whether or not it is the most appropriate. Some cities or towns attempt to follow the path taken by their neighbors. Many feel that they need a full "menu" of options. Other municipalities avoid any formal structures, feeling that their town is too small to go through the process required to create one of these entities.

In addition to municipal activities in economic development, the private sector, often acting on its own, tries to impact and shape the local economy, using Chambers of Commerce and other private non-profit organizations which are involved in encouraging and actively participating in private and public investment in the community. Private sector efforts sometimes are developed to fill a vacuum and may be responding to a lack of an economic development program in the community. In

other cases, private sector programs are designed to complement government activities or further stimulate local activities.

The purpose of this handbook is to guide the reader through the complex maze of organizational acronyms and statutes, and help municipalities and local business groups decide upon the organizational form which is most appropriate to their needs. This handbook will provide an overview of the full range of organizational models that are available for pursuing economic development, and will discuss the planning process required for choosing the most appropriate model.

The handbook is organized as follows:

**Chapter Two - Economic Development Planning:** Understanding the purpose and scope of economic development activity is of fundamental importance to any group interested in developing an economic development organization. This chapter outlines the meaning of economic

development and the steps required to undertake a strategic planning process.

**Chapter Three - Organizing for Economic Development:** There is no easy formula for selecting which organizational form or forms make the most sense in your community. This chapter tries to make the process easier by outlining the major decision points which a community should go through in its selection process.

**Chapter Four - Economic Development Organizations: Models and Options:** Selecting an appropriate organizational structure requires an understanding of the full range of models available under Massachusetts law. This chapter outlines the purpose of each model, the range of activities possible under each model, and the steps needed to establish each type of organization. To illustrate each type of organization, there is a profile of an existing organization in the Commonwealth, describing its origins and projects.

## CHAPTER TWO

### ECONOMIC DEVELOPMENT PLANNING FOR MASSACHUSETTS COMMUNITIES

#### 2.0 Introduction

Confusion over the range of economic development organizational models often arises out of a lack of clarity about what economic development is, what the goals of economic development are, and which economic development strategies and tools are most appropriate for any given municipality or region in Massachusetts. Many public officials are working with assumptions about economic development which may not have kept pace with current economic conditions. The purpose of this chapter is to challenge some of these perceptions about economic development and to outline a process for developing an economic development strategy.

#### 2.1 What is Economic Development?

The term economic development has become a catch-all phrase for any governmental efforts to work with businesses to create jobs and strengthen the tax base. In practice, economic development does encompass a wide range of activities. However, it implies a lot more than simply creating jobs or contributing to economic growth.

While economic development includes these activities and goals, its full definition is broader. *Economic development is the process of building a community's capacity for shared and sustainable improvement in its economic well-being.* What does economic well-being entail?

\*\*Economic well-being involves the creation of jobs and access to *good jobs*, those that pay well enough to support an adequate

standard of living and provide opportunities for advancement.

\*\*Economic well-being implies the ability to enjoy the public goods that represent *a decent quality of life*, such as clean air and water, freedom from fear of crime, and a sense of being part of a local community. Maintaining local quality of life requires a tax base adequate to support local services, and an economic base that nurtures community life.

\*\*Advances in economic well-being, at best, should be *sustainable over time*. Many communities have discovered that attracting a plant to the area on the basis of low costs does not always mean that the plant will stay. Many such plants have eventually moved to locations overseas that offer an even lower cost environment. Maintaining economic well-being over the long run is a critical aspect of economic development and it requires an awareness and understanding of the economic forces that influence the local economy.

\*\*Economic well-being cannot be limited to only a small segment of the community. The *shared distribution of the fruits of the economy* is part of the economic development process. There should not only be concern about the number and type of jobs, but also the capacity of local residents to fill them. All citizens should have the opportunity to participate in and benefit from productive activity in the economy.

\*\*Economic well-being depends on the *capacity and vitality of the labor force* and

its ability to adapt to changes in technology and in the economic environment.

**\*\*Economic well-being depends largely on the *vitality of the business sector*, which organizes and manages most economic activity. The performance of local businesses and their ability to innovate and adapt to changes in the economic environment is the key to successful economic development efforts.**

**\*\*Economic well-being requires a *long-term commitment by the public and private sectors*. Both the public sector and private enterprise have a key role to play in sustaining the health of the local community and ensuring that all local residents have the opportunity to participate in the economy. The role of the public sector goes beyond just providing public services.**

## **2.2 Changing Perspectives on Economic Development**

Until the 1970's, the accepted role of local governments in the economic development process was simply to recruit outside firms to locate in the community. The range of tools and organizations needed to carry out this strategy was relatively straightforward. Lowering location costs through tax incentives, providing low cost financing and low cost land was seen as the appropriate role of cities and towns in their efforts to attract industry. Since a business could move virtually anywhere in the Commonwealth, municipalities pursuing this approach viewed every other city and town in Massachusetts as a potential competitor.

In the last 10 years, however, the economic development field has changed significantly. The factors affecting the location decisions of businesses have shifted as international

competition has increased. It is now clear that communities in the US can no longer compete solely by attempting to lower costs. Increasingly, the major concerns of business are the skills and adaptability of the work force, the quality of life in the community, access to institutions of higher education, the availability of appropriate sources of financing, the availability and affordability of housing, and the quality of the physical infrastructure. Moreover, there has been a growing recognition that new enterprises and small businesses are an important source of new jobs in the community and, furthermore, that aiding the expansion of existing businesses may be as effective as recruiting branch plants of outside companies.

A new paradigm for economic development policies has emerged from the changes in the economy. The focus of these new policies has shifted from industrial recruitment to supporting small business development, retaining quality jobs through strengthening existing businesses, promoting new enterprise formation through entrepreneurial development, and building the "human capital" infrastructure in a community - the skills of its work force, the quality of its education system - as well as its physical infrastructure. These new policies bridge economic and social policies and are focused on making long-term investments in the community.

The new economic development paradigm also differs from the past in its attention to the development of cooperative relationships. Whether between business and labor, contiguous town governments, or the public and private sectors, it is now recognized that cooperative partnerships will increase the effectiveness of any economic development strategy. In particular, the private sector is seen as a key partner with

government in most communities' economic development initiatives.

Management of the economic development process has also been evolving, particularly in the Commonwealth of Massachusetts. With increased professionalism in the management of town governments, economic development efforts have become more sophisticated. Efforts have moved beyond business recruitment at any cost to a more selective targeting of industries that best fit a specific municipality. Cities and towns, working on their own or together, have developed programs that deal with helping existing businesses in their communities. These programs stem from the recognition that locally-owned small businesses should be aided so that they reach their full potential at that location.

### 2.3 Why Planning?

While the approach to economic development has changed, many of the cities and towns in the Commonwealth continue to use economic development tools and organizations that reflect outdated strategies. Some municipalities continue to *react* to economic development opportunities in their communities rather than *plan* for them. A business might close, leaving an empty building or vacant lot which needs to be redeveloped; a large plot of land might be available for industrial development; or a manufacturing company might come to the town looking for lower cost financing to expand its operations. In response to these perceived opportunities, the town or city often creates a new organizational entity. By reacting rather than planning, the municipality may not have in place the organizations needed to take advantage of opportunities or to respond quickly to emerging problems, or they might create

organizations that have limited use in the future. Finally, a municipality may copy the approaches of other municipalities rather than develop its own approach which would be more appropriate to its own unique circumstance.

For example, if a business was looking for financing to expand, the municipality may have created an **Industrial Development Finance Authority** to provide low-cost tax-exempt financing. If private land holding were interfering with the development plans for a local industrial park, the municipality might create a **Redevelopment Authority** to be able to use eminent domain powers. And if a large industrial building or lot of land was vacant, the city or town might create an **Industrial Development Commission** to promote the development or sale of the site.

While these entities might have made sense at the time, in many cases they may no longer serve the purpose for which they were designed. Developing organizations and strategies appropriate to current economic conditions requires increased attention to planning. It is all too common for communities to create economic development organizations without fully understanding the nature of the problems or opportunities the organizations should address and how they can most effectively address them. Specific programs and projects must be preceded by a planning process which identifies needs and resources, articulates goals and objectives, and designs a strategy to accomplish those goals.

The need for planning has become more acute with the recent changes occurring in the economy. For some years now, many communities have been struggling with high unemployment and the loss of jobs due to the

restructuring efforts of companies. In this period of change, it is critical that communities are able to anticipate trends in order to respond and adapt to the changes in the economic environment.

Resources available for economic development are relatively scarce and, with the declining federal presence, are getting even scarcer. Effective planning and management capacity is needed if a community intends to make the best use of these limited resources. Vacancies in industrial parks in the country may be a result of economic trends, but are also a testament to the consequences of the poor use of resources and inadequate attention to planning.

Now more than ever, it is important for a city or town to go through a more *strategic economic development* planning process which seeks to answer the following questions:

- What are the economic needs in our community?
- What are our economic development goals based upon those needs?
- What are the competitive advantages and disadvantages of our community?
- What economic conditions provide for stability and satisfying work?
- Given our competitive assets and liabilities, what type of economic development strategy should be pursued to achieve our goals?
- What are the range of economic development tools and resources (i.e. financing, infrastructure development,

land assembly) that are required to carry out the strategy?

- What type of organizational entity or entities are needed to be able to use the required economic development tools?

Only by thoughtfully answering such questions can a city or town begin to consider the appropriate organizational forms to establish for pursuing its economic development activities.

## 2.4 The Strategic Planning Process

Strategic planning is the process of developing a plan *custom-designed* for a specific community. Instead of a "copycat" approach to economic development that imitates development activities of other cities or towns, a strategic plan is derived from a thorough understanding of:

- the needs of the population;
- the strengths and weaknesses of its existing industrial structure and local market conditions; and
- the strengths and weaknesses of its existing economic resource base (i.e. education and training system, physical infrastructure, financial base, and local institutional capacity).

The existence of a development plan does not automatically lead to success. In many cases, a plan is ignored as the municipality continues in a "reactive" mode to create subsequent economic development programs and policies. In other cases, plans are not well drawn, and, though implemented, can lead to only limited success.

Why do some plans languish on the shelf while others become the centerpiece of an effective policy effort? To answer this question it is important to emphasize the word "process." Strategic planning should not be approached as a research study completed by outside consultants. The process of strategic planning implies the input and involvement from a range of actors in the community involved in development. These actors should include representatives of both the public and the private sector. Strategic plans which do not get implemented have usually paid inadequate attention to building consensus in the community around economic needs, economic development goals, and economic development strategies.

An effective planning process, leading to a realistic and "do-able" plan requires a serious commitment of resources. There must be commitment to the process by the key actors in the community, as well as a commitment to work together on a cooperative basis; there must be a commitment of adequate financial resources to undertake the level of analysis required to make informed choices; there must be clearly defined goals and objectives agreed upon by all the participants; and most of all there must be a commitment to actually implement the plan once it is completed.

The strategic planning process involves three steps:

1. Understanding local needs and setting goals.
2. Choosing economic development strategies and tools.
3. Developing an implementation plan.

#### **2.4.1 Step One: Understanding Local Needs and Setting Goals**

The development of appropriate goals and an effective strategy should be based upon a clear understanding of the community's (or region's) economic needs. The following issues need to be addressed as part of this analysis:

##### **1) Assess the employment needs of the local population.**

- Identify which residents are experiencing the greatest employment problems.
- Assess how well the local community is meeting overall employment needs in comparison to the region, the state, or the nation as a whole.
- Identify those industries most likely to employ workers fitting the characteristics of the unemployed and underemployed
- Identify industries or companies that have a record of providing on-site job training, day care, transportation, or other services that would facilitate greater employment.

**2) Analyze the local economic base.** A key part of understanding local needs is identifying the problems and opportunities facing the local economy. This analysis should answer the following two questions:

- What existing industries are most important to the area's economic health?

- What types of firms, both existing and potential, offer the strongest opportunities for employment expansion?

**3) Identify local resources for economic development.** An economic development strategy must take into account the advantages and constraints regarding:

- land availability and cost;
- infrastructure conditions (i.e. roads, water, sewers, and energy resources);
- institutional resources (i.e. public education, the employment and training system);
- other private economic development resources (i.e. business and industry groups or associations);
- the community's management capacity and track record in performing economic development work;
- strengths and weaknesses of the labor force.

Once there is a clearer understanding of the economic problems in the community, economic development goals should be

established through a participatory process. The goals developed as part of the planning process will shape all subsequent steps. It is important that key members of the community reach consensus about what is to be accomplished. A diverse advisory group that represents all of the key interests in the community needs to be involved in the goal setting process. This group could be established by the public sector, which would pull together the relevant public agencies, business groups, political leaders, and residents to participate. While a core group of people can form the basis of the committee, additional opinions could be solicited from public hearings and open meetings. This will help to solidify community support for the strategies developed.

#### **2.4.2 Step Two: Choosing Economic Development Strategies and Tools**

Once the economic development goals are established, the community needs to consider the appropriate strategy or strategies for achieving those goals. While strategies can be very specific, (i.e. promote the specialty food industry), most economic development initiatives

# THE ECONOMIC DEVELOPMENT PLANNING PROCESS

**1**

**Understanding  
Local Needs and  
Setting Goals**

Assessing  
Employment  
Needs of the Local  
Population

+

Analyzing the  
Local Economic Base

+

Identifying  
Local  
Resources for  
Economic  
Development

**2**

**Choosing  
Economic  
Development  
Strategies**

Industrial Recruitment	Industrial Retention	Small Business Expansion and Local Ownership	New Enterprise Development	Commercial Revitalization
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Land Assembly	Planning	Regulation	Eminent Domain Powers	Technical Assistance
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**and Tools**

Tax Incentives	Infrastructure Development	Financing	Promotion and Marketing	Employment and Training
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**3**

**Developing an  
Implementation  
Plan**

Implementation Plan

Organization Structure

Considerations

especially those regarding business development, are broader and fall within one or more of the following categories:

- Industrial Recruitment
- Industrial Retention
- Small Business Expansion and Local Ownership
- New Enterprise Development
- Commercial Revitalization

#### **2.4.2-1 Economic Development Strategies**

The five strategies listed above can be pursued separately or in conjunction with one another. The reasons for adopting these strategies are explained below:

*INDUSTRIAL RECRUITMENT:* A strategy which aims at attracting firms from outside of the community to locate in industrial space within the community is the most common economic development strategy pursued by municipalities and private sector development organizations. Often the goal of an attraction strategy is to increase the tax base of the community and to create new jobs. In addition, firms may be encouraged to locate in blighted or substandard areas through various incentives. The most likely targets for industrial recruitment are companies in the Commonwealth or in New England which are expanding and seeking a location for their facility.

Firms are attracted to a community for two reasons. One is the nature of the area's economic resources, e.g., natural resources, skill levels, and other location advantages. The attraction strategy must reflect a clear understanding of the area's strengths and weaknesses regarding its resource base. Another reason is the quality of life in the community and region. Studies

indicate that the actual location of an independently-owned firm is

very much a function of the lifestyle its owner or management wishes to live in.

Industrial recruitment efforts usually emphasize promotion and marketing of the community, providing firms with the appropriate infrastructure for development in industrial parks, and providing firms with lower costs through tax incentives and financing subsidies.

Although recruitment efforts are very important, overemphasis on industrial recruitment has several problems:

- competition for industry among communities in Massachusetts and nationwide is intense;
- it is difficult to attract companies that provide jobs of the same quality as jobs which are being lost; and
- non-locally owned businesses, unless they fit uniquely into the local economy, often provide fewer benefits than expected.

*INDUSTRIAL RETENTION:* Increasingly, cities and towns in Massachusetts are recognizing that the industrial firms already within their community offer good quality jobs for area residents. Maintaining these jobs, and creating an environment conducive to the expansion of these firms, particularly those in the manufacturing sector, has become an important strategy.

Many public and private sector groups are developing active strategies aimed at halting the job loss in a region and strengthening existing companies. Such strategies involve addressing the following needs of the existing business community, particularly those of small manufacturers:

- A skilled labor force that has access to appropriate training.

An unskilled labor force which is job ready.

- Appropriate financing and access to capital markets.
- Effective education and customized job training programs.
- Technological and managerial assistance.

**SMALL BUSINESS EXPANSION AND LOCAL OWNERSHIP:** There has been growing recognition in the economic development field that small businesses are important generators of new jobs in the economy. At the same time, small businesses often face barriers which can constrain their ability to grow. For example, small businesses often face greater barriers in accessing appropriate forms of expansion financing than do larger firms. Given the importance of smaller businesses to the local economy, and the constraints which they face, strategies aimed at assisting small businesses have become a common component of successful economic development agendas of many organizations.

Promoting the expansion of small and locally owned business can be an important economic development strategy for the following reasons:

*First, small business development provides for greater diversification of economic activity.* Rather than depending on a handful of large firms to maintain the health of the local economy, the existence of a larger number of smaller firms in a wider variety of industries makes the local economy less vulnerable to the fortunes of a single firm or industry type.

*Second, small business development provides for increased local ownership of economic resources.* Increased local ownership means that control of economic

decision-making rests with individuals with a strong stake in the community. This usually results in greater stability of employment, more local jobs, and more profits being reinvested in the community.

Small business expansion strategies focus on helping businesses to locate affordable space and services which are crucial to their development. Communities can play an important role in efforts to promote the expansion of small businesses. This role can involve the development of specialized financing programs; the development of a specialized industrial building developed to meet the needs of local small businesses by providing joint marketing programs, training programs for workers, and the joint purchase of expensive equipment; and providing management and technical assistance to meet the needs of small businesses in the community.

**NEW ENTERPRISE DEVELOPMENT:** The promotion of new enterprise development has become an important element of local economic development strategies in recent years. The ability of an economy to generate new firms is important to the long-term vitality of a community and to its diversity.

An important component of new enterprise development is entrepreneurial development programs designed to promote the development of new enterprises. Such programs provide educational resources to individuals with entrepreneurial aptitude but who may lack well developed skills. These programs can also provide economic opportunities for youth and the economically disadvantaged.

In recognition of the critical need for entrepreneurial and management skills in small, start-up companies, state and local economic development organizations have created entrepreneurial development programs offering intensive training opportunities for new or would-be entrepreneurs. New enterprise development programs also focus on the availability of early stage risk financing for

entrepreneurs. Local communities also have generated real estate development projects known as "small business incubators" which provide start-up or young businesses with affordable space and specialized services, such as clerical and accounting services, and industrial support services.

**COMMERCIAL REVITALIZATION:** The growth of suburban shopping malls and changing consumer patterns has affected the health of the commercial districts in many of the Commonwealth's downtown areas and neighborhood commercial centers. A commercial revitalization strategy attempts to revitalize commercial areas through promoting private sector investments and targeting public sector investments to improve the infrastructure required for strengthening the commercial sector.

While commercial revitalization does not necessarily lead to the generation of high paying jobs with potential for upward mobility, it can improve the quality of life in the community. This, in turn, will affect a town or city's attractiveness to industrial firms by providing additional job opportunities, thus aiding in either industrial recruitment or retention efforts. A major contribution of a revitalized commercial district is its addition to the tax base and the provision of needed goods and services.

Many communities in Massachusetts have comprehensive commercial revitalization strategies which have included:

- development of downtown organizations;
- establishing design and development controls;
- land assembly and real estate development;
- investments in public amenities such as parking, sidewalks, and lighting;
- financing programs for facade improvements and other development activities;

- loans for small businesses;
- promotion of downtown business activities.

#### **2.4.2-2 Economic Development Tools**

To pursue each of these strategies there are a wide variety of "development tools" which could be used. Some of these tools are appropriate for all of these strategies while others are more particular to one specific strategy. Communities often develop strategies which use a number of different tools in pursuing their economic development activities, including:

**PLANNING:** The simplest and most direct tool of a community in the economic development process is that of planning and community leadership. The public sector can play an especially important role in anticipating development needs and in guiding the development process. This is particularly important in establishing goals and objectives, and in identifying resources - both those available and those needed. Effective economic development planning can often be a catalyst for activities by the private sector. The public sector, through its planning activities, can identify development opportunities and interest the private sector in pursuing them. Planning is a tool which is critical to all of the strategies discussed.

**REGULATION:** Cities and towns commonly use their regulatory powers in economic development. Through the use of zoning and code enforcement the municipality is able to direct, to some extent, where and how development occurs. This tool is of particular importance in commercial revitalization efforts where the objective is to improve the appearance and consistency of a commercial district. Facilitating the zoning and permitting process by cutting red tape and the time required for approvals could also be a tool used by local communities in their attempt to assist small business in their expansion plans or in attracting

firms to locate in their community. Many communities strive to package the review of projects to facilitate the approval process.

*LAND ASSEMBLY:* Often there are no contiguous tracts of land available in a community for industrial or commercial development. In such instances the ability to assemble a large tract of land becomes an important economic development tool. In other cases, land is available, but the risks of developing that land is too high for the private sector. In the absence of private interest in developing a site, the public sector has a fundamental role to play in developing a parcel which fills a critical gap in the community. Again, the ability of the local community to assemble, own and control these tracts could allow for more flexibility in the terms of the development packages for a private developer.

The development of publicly owned industrial parks is one of the more popular tools used by local communities. These efforts usually involve the assembly and purchase of industrial zoned land and investing in the basic infrastructure needs for marketing the land to industrial users.

*EMINENT DOMAIN POWERS:* The ability of the public sector to "take" specific land or buildings for just compensation is a very strong economic development tool. This power is usually used in two very specific ways. One is to use eminent domain to quickly clear the title of land. The other allows the public sector to "take" land with due process to achieve a clear public purpose. Once a tract of land is assembled, the public sector is able to sell or lease this land on flexible terms to a private developer to achieve its economic development objectives. Eminent domain power may also be emerging as a useful tool in responding to threatened plant closings.

#### *INFRASTRUCTURE DEVELOPMENT:*

Investment in a community's physical infrastructure is critical to most economic development strategies. Without adequate physical infrastructure - a good road system, affordable and accessible utilities, adequate water

and sewer capacity, adequate parking facilities, and drainage - it is difficult to attract and retain private investment in a community.

While general investments in the quality of the physical infrastructure are always important, a city or town can target these investments to particular sites such as an industrial park or the development of a particular industrial or commercial parcel. For example, if a business is interested in locating in the community, the local city or town may improve the infrastructure at the site as an incentive to the business. With infrastructure in place, a potential site becomes much more attractive to private investors.

*PROMOTION AND MARKETING:* A large proportion of economic development activities by both private and public sector groups has historically focused on efforts to promote a locality or site within a locality. With intense competition between communities throughout Massachusetts and the US for industrial and commercial investment, marketing of the community or a particular site became a predominant activity in the economic development field. However, this same promotion of the "positive community image" is also relevant to business retention and small business expansion efforts.

Marketing efforts could be very simple - a general brochure outlining the attributes of a community, or sophisticated - for example, of marketing materials which target specific industries. Promotional tools used by economic development entities can include: advertising in the national or regional media; putting together a "publicity" campaign, community support or a direct mail campaign; and paying visits to prospective companies.

*FINANCING:* The use of business financing programs as tools for state and local economic development has grown enormously in recent years. The usually explicit and always implicit goal of these programs is to stimulate increased economic activity. This is accomplished by offering financing that would not be available in

private markets, or by compensating, through low interest rates or liberal financing terms, for other investment costs. This increased economic activity is seen by the state as producing a number of social benefits which justify the investment, including increased employment opportunities, enhanced incomes, and a healthier tax base.

The financing tool is one which takes many forms. Historically, the most common financing tool used at the local level was tax-exempt financing through industrial revenue bonds. This financing has provided Massachusetts businesses with lower cost financing as a result of a federal tax exemption. More aggressive communities have developed revolving loan fund programs which provide local businesses with access to financing not available in the private sector. Finally, while rarely used at the local level, some communities in the US have developed equity funds which provide local businesses with a source of high risk capital. Communities can also help with financing by doing loan packaging for public funding programs.

*TAX INCENTIVES:* Municipalities can offer reduced property taxes as an incentive to businesses. Reducing property taxes is a method for municipalities to lower the costs of the business. Since offering such incentives means less money coming into the municipality in taxes, the municipality must carefully weigh the benefits of having the business located there against the loss in tax revenues. The municipality should make certain that the tax incentive is truly needed by the business and if offering the incentive will make the difference between the business locating or not locating in the town.

*TECHNICAL ASSISTANCE:* Technical assistance is a very broad term which encompasses various efforts to assist private business with concrete problems. Assistance can be very specific - oriented towards the transfer of technology to firms in a particular industry, or general - the provision of management assistance services to all small businesses. However, the

objective is the same, to assist local businesses in their efforts to remain competitive in the changing economy.

Technology transfer aims at increasing the ability of firms to innovate and to increase their productivity through improved production processes. Firms in Massachusetts are often competing with foreign and domestic companies that are utilizing automated manufacturing processes. Applying innovative automation technologies and other advances in the manufacturing process to small-scale manufacturing environments could help the existing companies in the state meet this competitive challenge.

General management assistance efforts address the lack of basic management skills sometimes found at new and small businesses. Often entrepreneurs have a good idea, but do not know how to manage their work force or their finances. Small and new companies may also be unable to access private financing because they have been unable to develop the documentation required by local bankers. A general management assistance program is an economic development tool which tries to address this problem by providing local businesses with assistance in solving basic problems or in developing a business plan. Several sources of general management assistance exist, such as the Chamber of Commerce, small business development centers, and trade associations.

*EMPLOYMENT AND TRAINING:* Businesses today want a location that has a labor force with the skills and education to enable them to do the needed work. It is becoming increasingly common for the public sector to work with businesses in providing training for workers. Such training is offered through the public school system, institutions of higher education, and local training providers. Employment and training programs can take the form of programs that encourage people to get their high school degrees, teach remedial reading and math, provide customized job training for specific businesses and general training for specific industries. The

Regional Employment Boards located throughout the state are an excellent resource for employment and training endeavors.

*Clearly, not all of the tools discussed are relevant to each community. Nor can all of these tools be incorporated in one economic development organization. It is important, however, that during the planning process, each community carefully consider which tools will be required to carry through its economic development strategy.*

### **2.4.3 Step Three: Developing an Implementation Plan**

Identifying appropriate goals, strategies, and tools is the easiest part of the economic development planning process. The real challenge comes in developing a plan which is implemented. A number of factors must be considered: the existing patterns of interaction between the various business, labor, community groups and government agencies, as well as the organization and management capacity of these groups; the knowledge, motivation and risk-taking attitudes of these sectors; the financial and support services available for implementation; the current and expected trends

in the regional and national economies; and the leadership available in the community to develop broad-based support. To be implemented, a plan must be economically appropriate, institutionally feasible, and politically realistic.

As part of an implementation plan, it is important to develop the organizational structure for carrying out the strategies arrived at. This can be an overwhelming task, particularly to a community doing it for the first time. The organizational structure could involve only the public sector, only the private sector, or joint public/private sector participation. The organization can be operated on a neighborhood level, the municipal level, or the regional level.

Given the vast array of possible development organizations in the Commonwealth, it is critical that any group interested in pursuing economic development carefully weigh the costs and benefits of each alternative, given the particular circumstances in their community. The remainder of this handbook will try to assist communities in this effort by providing an overview of the full range of organizational forms which are currently being used in Massachusetts, and by providing a framework for selecting among these varied entities.

## CHAPTER THREE:

### ORGANIZING FOR ECONOMIC DEVELOPMENT

#### 3.0 Introduction

In Massachusetts, an individual city or town or group of municipalities, confronts the question of what type of economic development entity to establish because:

1. As part of a strategic planning or comprehensive planning process, how to implement the various economic development strategies being developed becomes a critical issue.
2. A specific opportunity or a crisis emerges in the community which requires a capability that no existing organization has.
3. Existing development organizations are not working, and the need for identifying alternative structures becomes apparent.

Whatever the reason for facing this question, it may be met with apprehension or confusion. It is not at all clear which economic development entity makes the most sense given the specific economic problems, potential economic development projects, or the size or level of capacity in the community. Adding to the complexity of the problem is the difficulty in getting information on the legal and management structures which are required to establish the different developmental entities.

In selecting an economic development organizational structure, two key principles should be kept in mind:

**First, the appropriate type of economic development organization(s) differs for every community.** Communities have different needs, different economic development priorities, different actors, are at different stages of planning and implementation, and pursue

different economic development strategies. The actual choice of an economic development structure will depend on the particular circumstances in each community - i.e., the political environment, the relationship between the public and private sector, the relationship with neighboring cities and towns, whether development and planning should be done on a regional rather than a municipal level, and most importantly, the nature of the economic problems being addressed.

Just as important as determining the appropriate type of economic development organization is being able to make the determination that a city or town may not have the capacity or expertise to implement a specific development project, even if a new organization is established for this purpose. In this case, the city or town should contact a non-profit developer, such as the Massachusetts Development Finance Agency (formerly Government Land Bank). The MDFA is a state agency available to any municipality in the Commonwealth whose mandate allows it to be both a lender to development projects and to do development itself. As a lender, the MDFA offers fixed-rate loans with below market rates and terms and is able to do high-risk financing. As a developer, it prefers to do joint ventures for public-based real estate and economic development projects. The MDFA also provides technical assistance to individuals and organizations working on real estate and economic development projects.

**Second, economic development involves a diverse range of activities which may require a diverse range of institutions.** It is a mistake to think that a single economic development entity will be able to carry out all of the activities required as part of a city, town, or region's economic development agenda. Particularly in larger cities, a number of different economic development entities will probably be needed.

While each entity may have different boards and different statutory authority, the effectiveness and efficiency of a municipality's economic development programs could be improved through housing the different entities in the same place and sharing key staff.

In the end, each community in Massachusetts must design its own organizational structure. While there is clearly no easy formula for selecting the appropriate economic development institutional structure, this chapter attempts to make the steps to aid in the selection process clearer. The following matrix outlines the key characteristics of the major economic development organizations. Chapter Four provides more detailed information on each of these models.

### 3.1 The Selection Process

While ideally, each community interested in pursuing a coordinated economic development strategy should go through a formal strategic planning process as outlined in Chapter Two, this is an unrealistic expectation. The issue of organizational structure often presents itself when an economic development opportunity or problem arises and there isn't enough time.

Given the realities of economic development planning at the municipal level, the following three criteria are outlined for selecting an appropriate structure:

1. Choose an organizational structure which has the capabilities needed to carry out a specified economic development strategy.
2. Choose an organizational structure appropriate for the geographic target area.
3. Choose the organizational structure which has the best mix of public-private-community representation and control, given the economic and political environment in the target area.

#### 3.1.1 CRITERION ONE: Choose an Organizational Structure That Fits Your Economic Development Strategy.

Asking the fundamental questions related to economic development strategy and tools is relevant to every community in the Commonwealth, whether or not it is undertaking a more comprehensive planning process. Not all of the economic development organizational types are appropriate to carrying out each economic development strategy. And, more importantly, the economic tools needed to implement the strategy are not available to every type of organization. Selecting a structure based on the particular strategy and tools needed by your community is thus an important "screen" in selecting an appropriate economic development organizational form.

**The first step to consider is which economic development strategy is of most relevance to your community, and which tools are needed to implement that strategy:**

*INDUSTRIAL RECRUITMENT:* In communities where there is an abundance of vacant industrial land and buildings, or a great need for new jobs, pursuing an industrial recruitment strategy makes sense. Such a strategy could require the following tools: promotion and marketing, land assembly, infrastructure development, tax incentives, and low cost financing.

*INDUSTRIAL RETENTION - Strengthening Existing Companies:* Communities or a set of communities, which have a strong existing industrial base may focus their attention on

### MATRIX OF ORGANIZATIONAL CHARACTERISTICS

ORGANIZATIONAL LEGAL CITATIONS TYPE	MISSION	TOOLS	SPECIAL POWERS	BOARD COMPOSITION	STRUCTURE	GEOGRAPHIC SCOPE	
COMMUNITY DEVELOPMENT DEPARTMENTS	To carry out all duties of community and economic development.	Planning, land assembly, regulation, financing, infrastructure, promotion and marketing, technical assistance.	Pledge credit of municipality; Eminent Domain.	Five members, four appointed by municipality and one by state.	Public.	Municipality.	Chapter 43C, S.12, Mass. General Laws.
ECONOMIC DEVELOPMENT INDUSTRIAL CORPORATIONS	To do industrial development in areas of high unemployment and physical deterioration.	Land assembly, planning, financing, infrastructure, promotion and marketing.	Eminent Domain; Act as an Urban Redevelopment Corporation.	Seven members appointed by municipality; Three represent public-at-large, Others have business expertise.	Quasi-public.	Municipality or consolidated EDIC for more than one city or town.	Chapter 121C of Mass. General Laws.
DEVELOPMENT AND INDUSTRIAL COMMISSIONS	To promote and market industrial land.	Promotion and Marketing.	None	Five to fifteen members appointed by mayor, selectmen, or town manager.	Quasi-Public.	Municipality.	Chapter 40, S.8A of Mass. General Laws.
INDUSTRIAL DEVELOPMENT FINANCE AUTHORITIES	To issue tax exempt bonds for industrial development.	Land assembly, financing, infrastructure.	None.	Five members appointed by mayor or selectmen. All must live in municipality. Three require business expertise.	Quasi-Public.	One municipality or two or more contiguous municipalities.	Chapter 40D of Mass. General Laws.
RE-DEVELOPMENT AUTHORITIES	To plan and implement urban renewal activities.	Planning, land assembly, infrastructure, promotion and marketing, financing.	Eminent Domain.	Five members, four local and one from state. Local members are appointed in cities, elected in towns.	Quasi-Public.	Municipality.	Chapter 121B of Mass. General Laws.

### MATRIX OF ORGANIZATIONAL CHARACTERISTICS

ORGANIZATIONAL LEGAL CITATIONS TYPE SCOPE	MISSION	TOOLS	SPECIAL POWERS	BOARD	STRUCTURE COMPOSITION	GEOGRAPHIC	
URBAN RE- DEVELOPMENT CORPORATIONS (121A)	To create single purpose projects by issuing agreements that are exempt from property tax.	Financing, land assembly, infrastructure.	Eminent Domain.	No Board of Directors.	Agreements are between municipality and private or private/public partnerships.	Municipality.	Chapter 121A Mass. General Laws.
LOCAL DEVELOPMENT CORPORATIONS	To strengthen commercial and industrial sectors by revitalizing older downtown areas or assisting location of industry.	Financing, land assembly, promotion and marketing.	None	Combination of public, private and community representatives that are elected by members or stockholders or appointed by remaining Board.	Quasi-public or private non-profit or public/private partnership.	Flexible: could be municipal or neighborhood.	Not applicable.
CHAMBERS OF COMMERCE	To improve the commercial and industrial sectors.	Technical assistance, promotion and marketing, land assembly, financing.	None	Elected by membership, usually all private sector representatives.	Private, Non-Profit.	Flexible: county, municipal, or regional.	Not applicable.
COMMUNITY DEVELOPMENT CORPORATIONS	To improve general economic conditions.	Technical assistance, land assembly, financing.	None.	To qualify for CDFC funds, majority of Board must be elected by membership.	Private, Non-Profit.	Flexible: neighborhood, city- wide, or regional.	Requirements for CDFC financing in Chapter 40F, Mass. General Laws.
PRIVATE, NON-PROFIT DEVELOPMENT ORGANIZATIONS	To develop industrial and commercial land.	Financing, land assembly, infrastructure, technical assistance, promotion and marketing.	None.	Private sector oriented. Board members chosen by members. No public appointments.	Private, Non-Profit.	Flexible: neighborhood, city- wide, or regional.	Not Applicable.

keeping existing jobs in their community. This strategy makes sense in communities which have more limited industrial space available for further development, or which are losing their economic base due to industrial decline. Tools important to this strategy could include the provision of technical assistance and higher risk financing.

**SMALL BUSINESS EXPANSION:** Communities with a strong base of small business could focus their efforts on assisting in the expansion of the existing small business base. This makes particular sense in communities which are basically healthy, but are concerned with the longer term vitality of their economy. Tools important to small business expansion are technical assistance, planning, access to capital, land assembly, and training for management and workers.

**ENTREPRENEURIAL DEVELOPMENT:**

Entrepreneurial development is an economic development strategy to use when the community wants to plant the seeds for its future development, and seeks to promote business opportunities among population groups excluded from the economic mainstream. Tools needed for entrepreneurial development include technical assistance and financing. If, as part of a new enterprise development strategy, a small business incubator is being considered, (an incubator provides low-cost rent, shared services and business assistance to new and small businesses usually in a single facility and is becoming a popular vehicle for encouraging and supporting young businesses), it might be important to have an organization that can perform land assembly.

**COMMERCIAL REVITALIZATION:**

Communities with a declining or stagnating commercial main street or downtown could consider the development of a focused strategy which attempts to revitalize commercial activity. Tools needed for a commercial revitalization strategy include planning, design and land use, regulation, land assembly, financing, promotion and marketing, and technical assistance.

Once it is clear which tools are required to carry out a particular strategy, **the second step is to identify those economic development organizations which have the capacity to provide those tools.** The range of tools and respective organizations include:

**PLANNING:** The capacity to plan for the future is an important tool in most economic development strategies. The planning activities can be extensive, i.e. developing long range plans for the entire municipality or region, or more limited, i.e. developing specific plans for a particular economic development project. If economic development planning is an important activity the following economic development entities should be considered:

1. **Community Development Department:** Having all of a city or town's economic and community development activities organized within one entity provides a great deal of planning capacity. If planning is the major activity being considered, this form of economic development entity is appropriate.
2. **Economic Development Industrial Corporations:** Often EDICs have come to house the industrial planning capacity at the city level. In fact, economic development plans are required as part of the EDIC's development process. In Boston, for example, the EDIC undertakes critical research on industrial conditions in the city which is used to plan for its activities.
3. **Community Development Corporation:** CDCs provide an important vehicle for planning economic development in low-income urban neighborhoods, towns and regions. CDCs can often increase the effectiveness of their endeavors if they work with local government and other economic development organizations.

**PROMOTION AND MARKETING:** Promoting the community to private investors is probably the cornerstone of any industrial recruitment strategy. If a community intends to focus on industrial park development or general industrial recruitment, some entity must be involved in the development of marketing materials and a promotional campaign.

Economic development entities which have been used to develop promotion and marketing materials include:

1. **Development and Industrial Commissions:** Some communities have established special entities whose sole mission is to assist in promoting and marketing industrial space in that locality. These commissions have no legal powers and very limited resources. They are most appropriate for small towns with limited staff capacity which need to harness volunteer labor.
2. **Chambers of Commerce:** Often, it is the private sector which takes the lead in promotion and marketing activities. Chambers often develop brochures which describe the benefits of doing business in the community and are often a point of contact for businesses interested in a particular location. As private sector organizations, their agenda for promoting the area meets the needs of their membership rather than the broader agenda of the public sector. However, they can have a better understanding of the needs and concerns of the business community and can thus be effective at selling the community to outsiders.
3. **Private, Non-profit Economic Development Organizations:** Private development groups and public/private partnerships involved in economic development often take a very active role in the marketing and promotion of their communities. This is particularly true in the case of organizations involved in the

actual development of industrial parks. Since they have a vested interest in seeing new businesses come to the community, they are often very effective at developing promotional materials and interacting with businesses interested in locating in the community.

4. **Community Development Departments:** Marketing and promotional activities can be part of the comprehensive services of a Community Development Department. Since this function is just one of many for the department, their efforts are often not as targeted as those of the other groups engaged in promoting local communities.

**LAND ASSEMBLY AND INFRASTRUCTURE DEVELOPMENT:** Putting together developable tracts of land is often a critical component of an industrial recruitment strategy, a small business expansion strategy and a commercial revitalization strategy. Most often this involves the development of an industrial park or commercial area. Closely tied to the issue of land assembly is infrastructure development. This is of particular importance in efforts to develop industrial parks, as an incentive to businesses interested in locating in the community, and in commercial revitalization activities.

Economic development entities with significant land assembly and infrastructure development capability include:

1. **Community Development Departments:** In many ways Community Development Departments have the most comprehensive land assembly capability since they can consolidate the activities of a Redevelopment Authority, an Industrial Development Commission, the planning board and other agencies. These departments are able to get involved in a full range of land development projects. Community Development Departments also have the power of eminent domain which is an important capability in land

assembly activities. Given the comprehensiveness of their tools, a Community Development Department is a very effective model for undertaking large scale development projects.

2. **Redevelopment Authorities:**

Redevelopment Authorities have broad developmental powers including eminent domain and the power to assemble and dispose of land. Properties eligible for development by Redevelopment Authorities must be found to be "substandard, decadent, or blighted open" space. Redevelopment Authorities also have bonding authority which could be useful in their real estate development activity. The major limitation of Redevelopment Authorities in responding to development opportunities is that the requirement for a comprehensive plan is not appropriate if a specific opportunity needs to be addressed quickly. State approval is needed at many stages along the development process.

3. **EDICs:** EDICs have the full range of powers needed to undertake effective real estate development activities including eminent domain, project planning, and the ability to buy, lease, develop and sell property. It is important to note that EDICs can only be used for land assembly activities which involve industrial activity. In smaller towns, certification by DHCD requires evidence that an existing Redevelopment Authority can not assemble industrial land. Thus, it is unlikely that a town with an existing Redevelopment Authority would be able to establish an EDIC. A benefit of the EDIC model over the Redevelopment Authority is that there is less "red tape," there are not as extensive planning requirements, and there are less restrictions on the location of specific projects. A consolidated EDIC can work on a regional level.

4. **Community Development Corporations:** While CDCs do not have any special

powers to undertake land assembly, such as eminent domain, they do have the capacity to buy and develop housing, commercial, and industrial properties. As such, they have relatively flexible capability in real estate development activities. In addition, CDCs have access to resources in the state (CEED, CEDAC, and CDFC) which other development organizations do not, and are flexible as to the type of geographic area that they can serve.

5. **Private, Non-Profit Economic Development Organizations:**

Both commercial and industrial real estate development is a possible activity of non-profit development groups. Some of these organizations focus specifically on the capacity to develop and market industrial sites. These organizations do not have any special public powers but do bring the expertise and financial resources of the private sector to a development project. Since they are governed by a private board elected by shareholders, and have few legislatively imposed restrictions or requirements, they are able to act quickly and respond to development opportunities with minimal public sector oversight. If rapid and flexible action is needed, this model may be the most appropriate. In addition, they can work on a local or regional level.

6. **Local Development Corporations:** LDCs are designed to involve both the public and private sector in development activities. LDCs are a common form of organization for those interested in commercial revitalization activity. While the most common activity of LDCs is to finance economic development projects, they do have the capacity to develop industrial and commercial properties and to acquire and redevelop blighted properties.

*EMINENT DOMAIN POWERS:* In some circumstances, the locality must use its special

powers to carry out its strategy. Sometimes land assembly is not possible without using the power of eminent domain. *Those entities with eminent domain power are: Community Development Departments, EDICs and Redevelopment Authorities.*

**REGULATORY POWERS:** Regulatory powers are also often needed in doing commercial revitalization, to accomplish design conformity among commercial property owners in a community, as well as for determining parking regulations and public improvements. *The Community Development Department could assist in the process of establishing such regulations.*

**TAX INCENTIVES:** Communities often focus on the need for providing tax cost incentives to companies looking for new plant locations, a factor that may affect the location decision of many firms. In the current economic environment in Massachusetts, access to a skilled labor force is also an important location incentive that a community can offer. Tax incentives have been used in many communities to encourage private investment. *Communities are able to make use of Chapter 121A Urban Redevelopment Corporation agreements to provide tax incentives to businesses, and most recently, also Tax Increment Financing (TIF) arrangements.*

**TECHNICAL ASSISTANCE:** Visiting local employers to better understand their needs and problems, and designing technical assistance programs are critical tools in efforts to retain jobs in the community. Similarly, these services could be important to growing small businesses or potential entrepreneurs. Types of assistance to business could include: technology transfer, help in pursuing funding and state grants, management assistance, and assistance in identifying, training and securing an appropriate labor force.

Economic development organizations which can provide technical assistance services include:

1. **Chambers of Commerce:** The larger and more involved Chambers in the Commonwealth have established programs to provide direct technical assistance to businesses in their communities. In some cases, Chambers have sponsored or worked with management assistance programs through the US Small Business Administration. Chambers are good locales for business assistance efforts since they often have the confidence of the local business community.
2. **Community Development Corporations:** While most of the CDCs in the Commonwealth do not have the capacity to undertake extensive business assistance activities, a few have developed capability in this area. For example, the Franklin County CDC and Hilltown CDC have developed technical assistance programs targeted to local businesses. Some of the small neighborhood based CDCs have provided assistance to local merchants. If they are able to develop the resources, CDCs could be effective providers of technical assistance to business since they often are closely attuned to the needs of small and start-up businesses in their community.
3. **EDICs:** While the provision of technical assistance services is not a primary activity of an EDIC, some EDICs have developed programs to assist local manufacturing companies. In many cases, the assistance provided by the EDIC is informal.

**FINANCING:** In some communities in Massachusetts, the development of a high risk and/or lower cost pool of financing could be an important component of an industrial retention program, a small business expansion effort, a commercial revitalization strategy, or a new enterprise development strategy. The financing pool could provide local companies with the higher risk financing needed by workers or management to buy out a business, and by existing management to undertake a

modernization effort, to expand their operations, or to build a new facility.

Economic development organizations that can develop a higher risk financing pool include:

1. **Local Development Corporations:** Local Development Corporations are the major organizational form under Massachusetts statutory authority to develop a financing capacity. While these organizations formerly had access to the SBA 502 program, under current SBA regulations they would have to organize as an SBA 504 Certified Development Company to have access to SBA financing. LDCs are often designed to be the financing subsidiary of another economic development organization. For example, EDICs, Chambers of Commerce and private development corporations can have subsidiary or affiliated LDCs. LDCs are effective in leveraging resources from the private sector for the capitalization of their financing programs.
2. **Community Development Corporations:** CDCs in Massachusetts have a number of options for assisting local businesses with their financing needs. As CDCs, they have access to high risk financing through the Massachusetts Community Development Finance Corporation. Companies that work with local CDCs and provide jobs to residents in the CDC's community will have access to this high risk state financing source. The CDFC also has a loan guarantee program which allows CDCs to provide small business loans through local banks which have been guaranteed. The CDC could also develop its own revolving loan fund. For example, the North County CDC operates its own small business loan program. Given this range of options, CDCs are a good alternative if business financing is a major interest.
3. **Community Development Departments:** A small business revolving loan fund could

be developed by a Community Development Department. In larger cities, entitlement CDBG funds could be used to develop a loan fund program administered by the city. In smaller cities and towns, localities have access to the state's Massachusetts Community Capital Fund which provides financing to businesses through the local city or town.

4. **Industrial Development Finance Authorities:** IDFAs can facilitate lower cost financing for business through tax-exempt bonding. However, since companies have access to such financing directly through the MDFA, IDFAs are not as important a financing tool; the new tax law that constrains tax-exempt financing for industrial development projects, would make a community hesitate to establish a new IDFA.

### **3.1.2 CRITERION TWO: Choose an Organizational Structure Appropriate to the Geographic Scope of the Economic Development Problems Being Addressed.**

The issue of economic development is most often considered first at the level of the municipality. The city or town is often concerned with the community's tax base or the lack of jobs for residents, and sees economic development as a means to address these problems. Particularly when the concern is the tax base of the community, each locality has historically looked upon its neighbors as potential competitors in the market for commercial and industrial investment.

While economic development organizations are usually developed at the municipal level in Massachusetts, economic development entities can cover three different levels of "community":

1. *The neighborhood level* - An economic development entity covers a target area, usually a specific neighborhood within the city or town.

2. *The municipal level* - An economic development entity covers an entire city or town in its scope.
3. *The regional level* - An economic development entity covers several cities and/or towns which make up a distinct economic unit.

Once there is understanding of the strategy to be pursued and the types of activities which an economic development organization will be undertaking, the issue of the geographic scope of the problem arises. Those concerned with economic development issues must ask the fundamental question: *What is the geographic scope of the economic problems identified, and at what level of "community" can solutions to these problems be most effectively developed?* The answer to this question is critical in determining the appropriate organizational structure to plan and/or implement the strategy.

**Neighborhood Organizations:** There are some cases in which the economic problems are concentrated in one neighborhood or community within a city or town. For example, low-income residents may be concentrated in one part of the city, or economic development efforts might be limited to a downtown neighborhood. In such instances, consideration could be given to setting up an economic development organization targeted to that one neighborhood. For example:

1. **Community Development Corporations** are usually neighborhood-based groups which target their activities to only one part of a city or town.
2. **Local Development Corporations** or other private, non-profit corporations have been developed to target resources to a city or town's downtown area. For example, Springfield Central was established just to promote private investment in that city's downtown.

**Municipal Organizations:** There are some economic development issues which are still

clearly relevant to a single city or town. For example, the commercial revitalization of a downtown area, or the development of a particular industrial site probably makes the most sense if managed at the municipal level. Moreover, in some communities, improving the local tax base is the primary goal of its economic development activity. In such cases, it may make sense to continue developing economic development entities which are limited to the city or town level.

Those entities which are limited to the municipal level include:

1. Community Development Departments
2. Urban Redevelopment Corporations
3. Development and Industrial Commissions
4. Urban Redevelopment Corporations.

The following organizations are not limited to, but usually operate on the municipal level:

1. Industrial Development Finance Authorities
2. Economic Development and Industrial Commissions
3. Local Development Corporations.

Finally, the following types of organizations can be developed on the municipal level:

1. Community Development Corporations (though they most often are developed on the neighborhood or regional level)
2. Chambers of Commerce (it is common for Chambers to include a number of cities or towns in their target area)
3. Non-profit Development Corporations (operate at any level).

**Regional Organizations:** Increasingly, communities are coming to realize that they are

participants in a regional economy. Their residents are working for employers located in the next community; the vitality of their commercial sector is tied to the overall health of the regional economy; and the general economic climate for new investment will depend on economic resources which go beyond their municipal boundaries. For example, the health of Chicopee affects Springfield, and the strength of the metalworking industries throughout Worcester County affects the economic health of each of its cities and towns. With the recognition that many economic issues cross city or town boundaries, communities are beginning to form alliances to work together on economic development efforts. Throughout Massachusetts, Regional Planning Agencies are organizations that coordinate planning and service delivery for local communities while providing technical assistance to communities. The RPAs show a commitment to regional problem solving. (A list of RPAs in Massachusetts can be found in the Appendix.)

A regional approach may also be appropriate because of economies of scale, especially in rural areas, where no one town in a region has the capacity to undertake large-scale economic development on its own. Smaller towns find it difficult to support any professional staff, let alone staff devoted to the issue of economic development. However, working with nearby towns, there is more potential to pool resources to support an economic development organization and staff.

A number of the economic development organizations that can be created under Massachusetts law can be designed to include more than one municipality in a regional entity. For example:

1. **Consolidated EDICs** can be legally developed although there currently are not any active ones. Problems may arise over the control of an EDIC if more than one municipality is involved.
2. **Consolidated IDFAs** can be legally developed although there are not any active ones.
3. **Chambers of Commerce** can, and often do, cover a region covering many cities and towns.
4. **Community Development Corporations** can form coalitions to coordinate activities in larger areas (for example the Franklin County CDC and the Hilltown CDC) by defining their geographic target area to cover a number of cities or towns, as long as the target areas meet low-income requirements.
5. **Private Non-profit Development Organizations** often cover a multi-city or town area (as does SEED, the Southeastern Economic Development Corporation).
6. **Local Development Corporations** and other forms of public/private partnerships can be designed to address regional economic development problems.

### 3.1.3 CRITERION THREE: Choose an Organizational Structure That Brings Together the Public and Private Sector Actors Appropriate to Problems Being Addressed.

Once it is clear which activities are needed to carry-out a specific economic development strategy and what the geographic scope of the problem is, the next critical screen involves establishing an actual legal and management structure. Since most economic development organizational structures have the capacity to use various tools, and there is flexibility in terms of geographic scope, the particular structure chosen will depend on the following:

1. Who in the community needs to be involved in the organization for it to be effective?
2. How should these actors interact and participate?

3. What is the management and funding capacity of the organization? What, if any, level of public sector funding is required?

The different actors which are relevant to the economic development process are:

1. *The public sector*: The political leadership, local legislative body, and representatives of different government agencies.
2. *The private sector*: Local business leaders, local financial institutions, and local real estate interests.
3. *Residents*: Individuals who live in the community.
4. *Local Labor*: Both unions and non-organized labor representation.

Choosing the appropriate mix of actors and deciding who should have the most control of an economic development entity is a fundamental issue in the design of an economic development institution. This choice should be based upon consideration of the following issues:

- the level of public sector capacity and resources available for economic development in the city or town;
- the level of interest and commitment to the community by local businesses;
- the level of resident support needed to implement an economic development strategy; and
- the nature of the relationship between the public sector and the private sector.

The following range of public-private-community management exists:

**Public Agencies:** In some communities there is a very clear public agenda which has been developed. Local political leaders often have a specific concept of how development should occur in the community. They may also believe that they have a political mandate from the residents to pursue their vision of the community's development. In such cases, the local leadership may decide to organize its economic development activities directly through the municipal government.

Undertaking an economic development strategy through a public agency also allows the municipality the greatest use of its public powers such as eminent domain, taxation, and other regulations.

If strong public control over the economic development process is important, the use of the **Community Development Department** model is the most appropriate organizational form. This model is most relevant to cities or towns that are large enough to support a professional development staff.

**Quasi-Public Agencies:** A quasi-public institution is publicly chartered, but governed by an independent board comprised of public and private sector representatives. Since the majority, or all, of the board is appointed by local and state public officials, the public sector still maintains ultimate control over the direction of the institution.

Quasi-public institutions serve a number of purposes. *First, economic development often requires a level of expertise which the public sector working on its own, or one agency within a city or town, is unable to assemble.* For example, the opinions and involvement of local experts in the financial or real estate field could be an important addition to the economic development capacity of the locality. The participation of such individuals of varied expertise could be very important to the effectiveness of an economic development entity.

*Second, economic development should be somewhat immune from intensive political pressures.* Total control over the development process by elected officials serving brief terms can lead to transient political considerations taking precedence over long-term economic growth considerations. In a quasi-public institution, there is some separation from the political decision making process. Moreover, since these institutions have staggered board terms, it is often difficult for one political leader to gain total control over a quasi-public institution.

*Third, quasi-public institutions have more flexibility in their staffing and management than municipal line agencies.* For example, most quasi-public organizations can usually offer professional salaries that are more competitive with the private sector. This gives them an advantage in attracting and keeping their professional staff.

*Finally, quasi-public institutions may have many of the same powers of a public agency such as the ability to issue bonds secured against revenues from their programs and the power of eminent domain.*

The economic development entities in the Commonwealth which could be considered quasi-public institutions include:

- **EDICs:** The board, appointed by the mayor or board of selectmen, includes individuals with business expertise and an individual representing the interests of the low income community.
- **IDFAs:** The board, appointed by the mayor or selectmen, includes individuals with business and finance expertise.
- **Redevelopment Authorities:** The process of appointing the board of a Redevelopment Authority is controlled by the public sector. In cities, while members are appointed by the mayor or manager, the city council must

confirm. In towns, the selectmen must confirm members elected at a town meeting.

**Public/Private Partnerships:** A public/private partnership implies a more equal distribution of control over the economic development entity than in the case of a quasi-public institution. What distinguishes a partnership from governmental agencies and private sector organizations is that the board is not appointed by the public sector, but rather elected by its membership which includes representatives of both the public and private sectors.

The concept of public/private partnership has become attractive in the economic development field in recent years. It offers the opportunity for establishing community-wide support for an economic development project. There are many reasons for the appeal of involving public and private actors together in economic development organizations. *First, the resources of the public and private sectors are often complementary.* The public sector brings to the table planning skills, access to public financial resources, the capacity to invest in public infrastructure, and control over important social services that must often be coordinated with economic development activities. The private sector brings financing and business development expertise.

*Second, combined public/private involvement brings a balance of perspectives to the organization.* While the public sector provides an overall community perspective, the involvement of various private actors can ensure that projects receive broad input and address the needs and interests of individual constituent groups. If successful, this outreach can result in broad-based support throughout the community for an economic development project. When reaching out to the private sector, local government should define "private" broadly to include civic and neighborhood organizations, as well as various elements of the business community and labor groups.

The major limitation of the public/private partnership model is that many of the public

powers which are available through a quasi-public structure are not available to these organizations. For example, if the use of eminent domain is critical to a community's economic development strategy, the public/private model will not be appropriate, or will have to be used in conjunction with government or quasi-public organizations with that power.

Of the economic development entities discussed, the following could be considered public/private partnerships:

- **Local Development Corporations:** LDCs have been designed to involve both the public and private sectors in the development process. In particular, the LDC mechanism is an effective means of harnessing private sector financial resources for economic development projects. Although an LDC can receive a state charter, its board is elected by its shareholders, not appointed by the public sector.
- **Private, Non-profit Development Organizations:** In addition to LDCs, there are a broad range of economic development organizations incorporated as non-profits, with their boards elected by their membership. Some of these organizations involve leadership from both the public and the private sectors. Partnerships such as the Lowell Plan and SEED have been extremely effective in carrying out a broad range of economic development activities and in harnessing private sector resources to achieve public purposes.

It is important to note that these partnerships can be organized as standard non-profit development organizations, or they can seek special charter legislation from the Commonwealth. The advantage of seeking a special charter, is that certain powers or benefits may be secured. Such benefits could include allowing certain development projects to be exempt from local property taxes or permitting the organization to raise funds by issuing non-dividend-paying stock

where the investors can treat the cost of stock as business deductions.

**Private Sector Organizations:** In many communities, the private sector, acting on its own, is interested in improving local economic conditions. The efforts of the private sector sometimes complement those being provided by the public sector; in other cases, they fill a vacuum where there is no economic development capacity in the municipal government.

Establishing economic development programs through private sector organizations is appropriate for those communities with very limited resources available for economic development and in those regions where individual cities and towns do not have an integrated economic development strategy. In such cases, an aggressive private sector organization can fill a crucial gap in economic development services.

Private sector organizations involved in economic development activities include:

- **Chambers of Commerce:** Chambers of Commerce can play a very important role in the economic development activity of a community. Their level of activity in economic development and the type of programs they operate will depend largely upon their membership. In some communities, Chambers are dominated by local merchants, and may be helpful for commercial revitalization, but are not effective vehicles for industrial development activities. In other communities, the Chamber represents the broad interests of the business community.
- **Private, Non-Profit Development Organizations:** While some non-profit economic development organizations are organized as public/private partnerships, others have only private sector representatives. While these private sector organizations might cooperate with local

development activities, they do not actively encourage public sector participation. Often, such organizations are formed when there is little economic development capacity at the local level, or when there is a poor relationship between the public and the private sectors.

**Community-Based Organizations:** Community-based economic development assumes that the involvement of community residents in the development process (beyond their representation through local government and other organizations), is of critical importance, if people currently excluded from the economic mainstream are to benefit from increased economic activity. Community-based organizations are most needed in those urban neighborhoods, rural areas and other locations overlooked or under served by traditional public and private development organizations.

Certain characteristics of community economic development complement other local and state economic development strategies:

*First, community-based economic development strategies usually allow a more comprehensive approach to the problems of low-income communities. A community-based approach, directly involving residents from the communities, usually views issues of job development, employment and training, and social policies as inter-connected. Such a comprehensive approach to development is often necessary because of the multiple causes of economic decline or stagnation.*

*Second, community economic development is a "bottom-up" approach to development which is able to harness the resources of community residents and institutions. A "bottom-up" approach to development puts community-based organizations in a unique position to involve local residents in development activities.*

Most community-based development efforts have been organized at the neighborhood level, since residents are usually most involved in activities

where they live. There are also examples of community-based efforts which have operated on municipal-wide and regional levels. Commercial area revitalization strategies are the most conducive to working on the neighborhood level, compared to other economic development

activities such as responding to a plant closing, which usually involves a larger geographic and market area.

**Community Development Corporations** are appropriate if there is interest in involving community residents more directly in the economic development process. They also offer certain resources and programs in the Commonwealth through DHCD, CEDAC, and CDFC that are not available to other economic development organizations.

### **3.2 Principles in the Design and Operation of All Economic Development Organizations**

Simply choosing the type of economic development organizations which are most appropriate to a community's needs will not guarantee success. These organizations also need to be designed carefully and operated effectively to be successful. There are many factors which determine whether or not an institution will be effective.

While every community is different, there are certain elements of success which are common no matter what economic development structure is chosen:

*First, the organization must select a set of goals that is sufficiently narrow to be achievable. In setting its goals, an organization must take care that those it selects are realistic and achievable. There is usually a multiplicity of economic problems and opportunities facing a local area. Economic development organizations often make the mistake of setting more goals than they can effectively accomplish. If too many goals are chosen, if they try to do too much, the organization's activities can become diffuse, lessening the likelihood of substantive*

accomplishment in any one area. It is easier to achieve recognizable gains when the organization is more narrowly focused. Finally, more narrow goal-setting helps the organization develop a clear identity in the local community.

*Second, the organization must have a clear plan of action with clearly articulated goals and strategies.* Organizational goals and objectives should be established based on a clear understanding of a community's problems and opportunities. The organization's goals and objectives give it a sense of direction, define its role for potential users and funding sources, and provide a yardstick against which results can be measured. These objectives should also be reflected in the make up of the board of directors and the membership.

Goals and objectives serve as the basis for the development of an organizational strategy and operating plan. Strategy refers to the "game plan" adopted by the organization to achieve its goals and objectives. It is the means by which goals and objectives are tied to the organization's day-to-day operating decisions regarding which projects or programs to undertake, and how to design and implement them. The organization's strategy addresses such issues as: which segments of the community will be served, how funds will be secured, and which other organizations will be involved. Without a clearly defined strategy, the organization's success in achieving its goals and objective will more likely be a matter of chance than design.

*Third, an economic development organization requires strong and consistent leadership.* Economic development is a complex and lengthy process. Projects often take years to move from planning to implementation and require coordination and cooperation among a diverse group of public and private sector actors. Economic development organizations need strong and consistent leadership on both staff and board if they are to see projects through to fruition.

Individuals who serve on the organization's board must be carefully selected. Important

qualifications for leadership include a record of civic involvement, respect among peers, a willingness to actively participate, and a vision of the community's future. Development board leadership may require drawing from existing business and community organizations. Consequently, it is important to build support for your organization among these other organizations at an early stage. When other organizations have "bought into" the goals and programs of your organization, their leading members are more likely to play an active role.

Ensuring continuity of board leadership requires attention to the process of board transition. Continuity does not require maintaining the same individuals in leadership roles for the life of the organization. When relying on volunteers who often have a variety of duties and interest, an organization must expect some leadership turnover. The important principle is to develop a structure for the board which encourages a gradual turnover of leadership (e.g. staggered terms) and to create mechanisms for the transfer of knowledge and skills as the board turns over.

*Fourth, an economic development organization requires professional staff with a strong commitment to remaining with the organization.* While the board sets organizational policy, makes key decisions, and develops community support for the organization's goals and objectives, the staff must be relied upon to conduct all essential elements of program planning and implementation. There must be strong leadership guiding the staff to ensure that the policies set by the board are translated into concrete program accomplishments. This means an experienced executive director with the appropriate mix of planning, project implementation, fund-raising and management skills or, for larger organizations, the ability to assemble and manage a staff encompassing these skills.

As with the board, there must be continuity of staffing to ensure that project planning and implementation proceed smoothly. Again, most economic development projects take a long time

to implement. The loss of a key staff person at a critical time in the development process could kill an entire economic development project.

Finding and keeping individuals with the expertise required to undertake complex economic development tasks usually requires being able to offer salaries which are competitive with those offered by the private sector. The organization must be able to count on an adequate budget if it intends to attract and retain well qualified staff.

*Fifth, an economic development organization should coordinate its efforts with those of other local organizations.* Economic development often requires a comprehensive approach that cuts across organizational boundaries. Industrial development must be coordinated with public infrastructure improvements; business financing must be coordinated with management assistance; and industrial recruitment and retention efforts must be coordinated with education and job training programs. Public and private sector organizations involved in economic development must have a means of coordinating their activities to ensure that projects are completed in a timely manner with the necessary elements in place.

Localities also often suffer from a confusing proliferation of economic development organizations and programs. Coordination is also important to ensure that organizations are not duplicating one another's programs and services, or are not pursuing conflicting goals and objectives. Resources available for economic development are limited and should not be wasted on parallel organizational structures or duplicative or conflicting programs.

*Finally, economic development organizations should be insulated from excessive short-term political influence.* For several reasons, economic development organizations tend to function more effectively if insulated from some of the political tensions and pressures which sometimes influence public programs. First, since economic development is a long-term

process, effective program implementation requires consistent direction. An organization which switches direction with every change of local administration is not likely to create a record of accomplishment. Second, insulation from the political process is important in building credibility with the private sector. Private sector leadership is not likely to lend strong support to an organization which they believe to be motivated by short-term political concerns. Finally, if projects involve work with private developers and business owners, the organization is more likely to elicit their cooperation if the project is free from the red tape and delays associated with political interference and bureaucracy.

### 3.3 Summary of the Selection Process

After considering the planning and selection process as outlined in this chapter, decisions are ready to be made regarding the type of economic development organizations that will best fit the needs and strategies of the community. This chapter outlined the critical steps to follow:

**One:** Choosing an Organizational Structure That Fits Your Economic Development Strategy:

By considering which economic development strategy is of most relevance to your community and which tools are needed to implement that strategy, and

By identifying which economic development organizations have the capacity to provide these tools.

**Two:** Choosing an Organizational Structure Appropriate to the Geographic Scope of the Economic Development Problems Being Addressed.

**Three:** Choosing an Organizational Structure That Brings Together the Public and Private Sector Actors Appropriate to Problems Being Addressed.

In addition, the chapter identified principles in implementing and managing successful economic development organizations:

The organization must:

- Select a set of goals that is sufficiently narrow to be achievable;
- Have a clear plan of action with clearly articulated goals and strategies;

- Have a strong and consistent leadership;
- Have a professional staff with a strong commitment to remaining with the organization;
- Coordinate its efforts with those of other local organizations; and,

Be insulated from excessive short-term political influence.

## CHAPTER FOUR:

### ECONOMIC DEVELOPMENT ORGANIZATIONS: MODELS AND OPTIONS

#### 4.0 INTRODUCTION

Communities seeking to undertake and implement their economic development goals and objectives have a wide range of organizational structures to choose from. These models differ along the following dimensions:

**Economic Development Strategies and Tools:**

The most fundamental differences among the models involve the types of activities which they are eligible to undertake. Some are very narrowly focused (i.e. Industrial Development Finance Authorities are primarily designed for providing tax-exempt industrial revenue bonds) while others have a broader set of activities (i.e. Community Development Departments can perform a very wide range of economic development activities). Moreover, some organizational structures may be appropriate for recruiting large industrial firms to the community but might make little sense for a strategy which focuses on small business or real estate development.

**Geographic Scope:** The types of economic development organizations range from those that are relevant to the neighborhood level (Community Development Corporations) to those relevant to a single city or town (for example, Redevelopment Authorities and Community Development Departments) to those which cover a sub-state region (regional Chambers of Commerce and non-profit development organizations). Choosing an appropriate organization requires understanding the geographic scope of the issues to be addressed, for instance, the closing of a factory employing workers from a wide region versus revitalizing a neighborhood commercial strip,

call for different geographic decision-making authorities.

**Range of Public Sector Participation and Control:**

The role of the public sector in the economic development process can differ significantly. In some cases the town or city may wish to play a leadership role in economic development activities in the community. Or the public sector may want to create a public organization that is a countering force to the power of the private sector in economic development. Certain organizational models, such as the Community Development Department, fit this orientation. In other communities, a partnership of the public and private sectors may be more appropriate, sharing equal roles and responsibilities. Models which promote some level of cooperation between the sectors such as Local Development Corporations, encourage such cooperation. Finally, in some communities, the public sector might have little capacity for aggressively pursuing economic development strategies. In such communities, the private sector, acting through either a Chamber of Commerce or a local or regional non-profit development organization, may manage the economic development activities.

This chapter presents the range of economic development organizational structures which are currently being used in Massachusetts. The major differences among these institutions in their purpose, legal structure, range of eligible activities, management and staffing, and sources of funding will be discussed along with brief profiles of actual organizations throughout the Commonwealth.

The models are organized as follows:

Public and Quasi-Public Institutions:

- Redevelopment Authorities
- Urban Redevelopment Corporations
- Economic Development and Industrial Corporations
- Community Development Departments
- Development and Industrial Commissions
- Industrial Development Finance Authorities
- Private and Public/Private Partnerships:
- Local Development Corporations
- Non-profit Economic Development Corporations
- Chambers of Commerce
- Community Development Corporations

## 4.1 REDEVELOPMENT AUTHORITIES

**Purpose of the Organization:** Redevelopment Authorities are currently used to assemble open land for development, mostly for industrial parks, but for other purposes as well. Redevelopment Authorities usually work with open land or multi-parcels of land. With the goals of revitalizing such land areas and encouraging new growth, Redevelopment Authorities have broad powers to plan and implement the activities needed to redevelop open and deteriorated areas for residential, educational, hospital, business, commercial, and industrial purposes.

**Legal Structure:** Redevelopment Authorities are public entities which are governed by a board appointed by the city, with one member appointed by DHCD. Most of the Authorities operating in Massachusetts were created to take advantage of the federal Urban Renewal Program, serving as vehicles for carrying out the mandate to eradicate blight from the inner cities. Although the federal Urban Renewal Program no longer exists, Redevelopment Authorities continue to play a role in revitalization efforts in the Commonwealth. DHCD is the state agency charged with the responsibility for the operation and administration of the now state-funded Urban Renewal Programs.

Chapter 121B of the Massachusetts General Laws allows for the creation of Redevelopment Authorities to administer state-funded projects. According to Chapter 121B, projects developed by Redevelopment Authorities must be in areas which are substandard, decadent or blighted open as defined in state regulations.

**Range of Activities:** By statute, any project carried out under an urban renewal program must contain an urban renewal plan that is approved by the local community (such as the city council) and DHCD. The municipality's

planning board must make a finding that the urban renewal plan conforms to the general plan for the community as a whole. In addition to

their planning authority, Redevelopment Authorities have the power to:

- assemble and dispose of land, including the taking of real property through eminent domain;
- relocate businesses and residents occupying urban renewal sites;
- demolish and/or rehabilitate substandard structures;
- 
- participate in real estate development and commercial revitalization.

**Management and Staffing Structure:** The board of directors of a Redevelopment Authority is comprised of five members. In a city, four members are appointed by the mayor or city manager and confirmed by the city council and one member is appointed by the Commonwealth through DHCD. In a town, four members are elected through town meeting and confirmed by the board of selectmen and one is appointed by DHCD. One member of the board must represent organized labor. Terms are staggered over five years.

Levels of staffing vary widely, depending on the size of the municipality and the funding the Authority is able to procure. At minimum, most Authorities consist of the executive director and a planning/administrative assistant.

**Sources of Funding:** In the early 1960's, the federal government paid for most of the costs of projects administered by Redevelopment Authorities. During this period, Massachusetts paid 50 percent of the local share required by the federal government. With the close-out of the federal Urban Renewal Program, Redevelopment Authorities lost a key funding source. The Commonwealth of Massachusetts partially filled this gap with its Urban Revitalization

Development Grant Program (URDG), operated by DHCD.

Redevelopment Authorities have access to general sources of federal and state funding. In addition, projects will generate income for the Authorities which in turn is used to fund other projects. Finally, a Redevelopment Authority will receive money from its municipality for operating expenses and staff salaries.

**Steps Needed to Implement Model:** A municipality wishing to create a Redevelopment Authority must:

- Establish a need for the Authority through a vote by municipal officers or town meeting.
- The Authority must be approved by a vote by the municipal officers or town meeting and confirmed by the municipality's executive officer.
- Submit the act to the legislature for approval.
- Confirm the act through ballot vote by voters of the municipality.

The Secretary of State of the Commonwealth then issues a certificate of organization for the Authority.

The development of an urban renewal plan is necessary for a Redevelopment Authority to be able to work on projects and the plan is also essential for obtaining financing from DHCD. There are very specific requirements in the regulations pertaining to the composition of the urban renewal plan. It must be approved by municipal officers and DHCD. To approve a plan, DHCD must find that: the plan is sound; the project requires public intervention; the project area is decadent, substandard or blighted open; and a relocation plan has been approved.

In addition to the planning process, each individual urban renewal project must go through extensive public scrutiny from local residents

(through citizen participation and a public hearing process), local political leadership, and DHCD.

**Advantages/Disadvantages:** Redevelopment Authorities are particularly effective in pursuing activities involving large-scale and complex redevelopment projects and land assembly. The ability to use eminent domain powers and have access to special state redevelopment funding makes Redevelopment Authorities a powerful tool for commercial revitalization, industrial park development, infrastructure improvements, and facility renovations by cities and towns. A Redevelopment Authority, because it is not an agency of the municipality, does not answer directly to the mayor or other chief executive, as would a direct line agency; this tends to allow the Authority more freedom in planning and implementing revitalization programs. Redevelopment Authorities are considered the most "activist" of all the economic development organizations.

One of the key disadvantages of Redevelopment Authorities is that more extensive state involvement is required than is the case for other local development entities. Moreover, there is a very precise and involved planning process required to create a plan and develop each individual project. The process involves the establishment of a citizen's committee, the adoption of very precise standards for acquiring land (which must be approved by DHCD) and requirements for contracting out services. The result is a process that is sometimes onerous if the intent is to act quickly to redevelop a specific site or building.

A few Redevelopment Authorities have been formed in recent years. Once they were no longer the "only game in town," municipalities began forming other types of organizations. Certain aspects of Redevelopment Authorities may make communities hesitant to form one. Some officials and residents are nervous about the eminent domain powers or the town may possibly be hesitant to determine that it has blighted or deteriorated areas. The public sector may be

wary about how independent a Redevelopment Authority can be, although if the Authority uses the state funds that are now available, there is considerable oversight. The independence factor is more pronounced in towns than in cities, because in towns the Authority's board is independently elected.

## **PROFILE: THE FITCHBURG REDEVELOPMENT AUTHORITY**

The Fitchburg Redevelopment Authority was established in 1964 under the provisions of Section 26QQ of Chapter 121 (recodified in 1969 as Section 4 of Chapter 121B) of the Massachusetts General Laws. Originally the Authority was responsible for both economic development and housing, but was reorganized in the early 1980's so that housing development came under the jurisdiction of the city's Office of the Planning Coordinator. The Authority is one of three organizations responsible for economic development in Fitchburg. The other two organizations, the Industrial Development Commission and the Industrial Development Finance Authority, as well as the Redevelopment Authority, while separate entities, often work as one.

Fitchburg has used the Redevelopment Authority as its primary economic development tool. In this role, the Authority has made diversification of the regional economy a key element in its strategy to build Fitchburg's economic stability. To further this goal, the Authority tries to attract a diverse manufacturing base and has been marketing the city to young, diverse, growth-oriented firms which promise continued expansion.

The Authority's major activity in the recent past has been the development and marketing of the 231 Industrial Park. The park is now full, but there is room for the existing companies to expand at their sites. The Authority took direct responsibility for development of the park from the outset. First, the Authority purchased the land, and then re-parceled it to make the site conducive to industrial development. It then

funded the construction of the park's infrastructure. While the Authority did not participate in the actual construction of the buildings, it took the lead role in marketing the park to prospective firms. The park contains 500,000 square feet of industrial space and is home to 11 firms employing approximately 800 workers. The type of firm located in 231 ranges from electronics to shipping.

In the early 1980's, the Authority also played a role in the development of a private industrial park, the Montachusett Industrial Park. Eight firms employing another 500 workers are located here. In partnership with a private developer, the city contributed \$100,000 towards the total cost of expansion of the park in order to draw the Avery Dennison Company and its accompanying 125 jobs (now up to 200) to the city. Dennison had been interested in moving to the park, but needed better water pressure than existed there. The city and the developer built a new water pump house to help Dennison, which also improved the water pressure at other sites in the park. Improving the water pressure reduced the insurance ratings on these sites because it improved the fire fighting capacity. These improvements, initiated by Dennison, helped attract other firms to locate in the park.

More recently, the Fitchburg Redevelopment Authority established the Blueberry Industrial Park. All of the four lots have been sold. Two local companies have expanded to this site, and a third firm moved here from the midwest. In total, over 120 jobs have been created, with the remaining area expected to produce an additional jobs. Current efforts to increase industry and create jobs are focused on the expansion of the Montachusett Industrial Park.

Due to its proximity to Worcester and Boston, Fitchburg has become a highly desirable place for firms to locate, and inquiries about available space in the city continue.

For further information, contact:  
The Fitchburg Redevelopment Authority  
718 Main Street.

Fitchburg, MA 01420 / (508)245-9602

## 4.2 URBAN REDEVELOPMENT CORPORATIONS (121A CORPORATIONS)

**Purpose of the Organization:** Chapter 121A of the Massachusetts General Laws allows for the creation of single-purpose, project-specific Urban Redevelopment Corporations which are exempt from the traditional means of paying real estate property taxes. They are different from any of the other economic development models discussed in this handbook because they are not "entities" which carry out a development mission, but are instead, simply mechanisms that allow cities to provide tax exemptions as incentives to private developers. A 121A is an agreement between a developer or firm and a municipality which renders a particular development exempt from property taxes. Property that is under a 121A agreement cannot have its value counted in assessments of municipal land. By allowing tax exemptions, thus making taxes on eligible projects both "predictable and affordable," 121As are thought to serve as catalysts for development in urban areas with high property tax rates or in areas that are minimally marketable as locations for private investment. 121As are used for low and moderate income housing, and for commercial and industrial purposes as well.

**Legal Structure:** Non-profit corporations, for-profit corporations, joint ventures or public/private partnerships may make use of 121A agreements. Insurance companies and banks also qualify under special statutory provisions of the law. The standard duration of an agreement is 15 years, but it may be extended an additional 25 years, depending on whether DHCD determines that certain "amenities" such as subsidized housing are being offered by the developer. While Urban Redevelopment Corporations are exempt from real property tax, they must make substitute payments, of which there are three types:

*Minimum Statutory Payment:* The minimum statutory payment to the State Department of Revenue is a mandatory payment equal to one percent of the fair cash value of the property plus five percent of the gross income of the project from all sources.

This money, collected by the state, is returned to the municipality's general fund.

*Excess Income Payment:* Chapter 121A entities are limited dividend corporations and, as such, may earn no more than an eight percent return on investment. Any excess profits, after all eligible deductions have been accounted for, must be returned to the municipality (up to the level of tax that would have been assessed if the project were a non-121A entity).

*Negotiated Payment:* Under the statute, a municipality has the right to negotiate a payment above the minimum statutory payment. This payment is determined on a project by project basis by the municipality and the developer and is made directly to the municipality.

For all cities except Boston, DHCD is responsible for the administration of the 121A program. In Boston, the 121A program is administered by the Boston Redevelopment Authority. Each 121A entity must be approved by the municipality in which the proposed project is located and by DHCD (or the BRA in the case of the City of Boston).

**Range of Activities:** Urban Redevelopment Corporations are authorized to:

- acquire, sell and hold land, including taking land by eminent domain (if eminent domain is wanted, it must be requested in the application.)
- manage property;
- construct and improve facilities;
- issue bonds;
- receive exemption from real estate property tax.

**Management and Staffing Structure:** Because 121As are contractual agreements, not

organizational entities, there is no formal management or staffing structure. However, most municipalities which have used 121As have found that it is useful to have one professional staff person coordinate all steps of the process involved in managing the program. The town clerk or the town counsel is often the person responsible since 121A management requires experience in decision-making, record-keeping and legal processes.

**Sources of Funding:** Since Urban Redevelopment Corporations are one-time entities created to provide private developers with tax incentives, there is no funding required. It should be noted, however, that the difference in tax revenues between the excise taxes paid by a 121A development and the tax revenues which would have been collected had the project been developed conventionally, is a "cost" to the municipality.

**Steps Needed to Implement Model:** The process for establishing a 121A is as follows:

- Initiation of an idea to form a 121A Agreement is usually from the developer or firm, or the municipality proposes the idea to the private entity.
- An application is filed by the developer or firm with DHCD (or the BRA).
- Once considered complete by DHCD or the BRA, the application is transmitted to the chief elected official of the municipality.
- Within 45 days of receipt of the application, the municipality must hold a public hearing.
- Within 45 days of the public hearing or within 90 days of receipt of the application, the city council or the planning board must issue a report to the chief elected official.
- Within 30 days of receipt of the report, the chief elected official must report back to

DHCD (or the BRA), indicating either approval or disapproval.

- DHCD (or the BRA) then either approves or disapproves the application.
- A certificate is filed by the firm with the Secretary of State of the Commonwealth which then establishes the 121A urban redevelopment corporation.

**Advantages/Disadvantages:** If very selectively and effectively used, 121As can spur economic development that otherwise may not have occurred. In some cases, the decision of one firm to locate in a municipality because of more favorable tax conditions serves to draw other firms that will more than offset the loss in tax revenues from the first firm. Carefully crafted negotiated payments and amenities such as provisions for local hiring are other ways a municipality can benefit from these agreements.

While the use of tax incentives to promote development in a community may make sense in some instances, this is a strategy which must be carefully considered. The city or town must establish whether or not the prospective firm would locate within its boundaries without the incentive. Studies have shown that a tax incentive is rarely the determining factor that causes a business to locate in a given municipality. 121As are used for low and moderate income residential development in urban areas precisely for this reason. High real estate costs often will preclude low and moderate income housing without some kind of incentive for the developer. In contrast, many other factors override tax differentials in commercial and industrial projects. In addition, small towns without adequate infrastructure may not be able to afford to use 121As, because the municipality will lose out on the property taxes that would ordinarily contribute towards building the needed infrastructure.

Another disadvantage of the 121A model is that it involves a rather complicated process that

requires both local and DHCD (or BRA) approval. This process makes it difficult to consider the use of a 121A agreement if a very short time frame is required by the private developer or business.

An original intent of 121A agreements was to give businesses "tax certainty" in case property taxes increased. This is still the case. However, once Proposition 2 1/2 was passed, such agreements for residential projects became less attractive, and the frequency of new 121A agreements significantly decreased.

### **PROFILE: THE USE OF CHAPTER 121A AGREEMENTS BY THE CITY OF CAMBRIDGE**

The City of Cambridge and the Cambridge Redevelopment Authority have adopted an aggressive position in order to attract and retain businesses. As the expansive 80s gave way to the constricting 90s, it became apparent that in order to commit to growth, businesses require relief from expanding property tax levies. Biogen, Inc., a major Cambridge-based biotechnology company had a need for 600,000 square feet of expansion.

The first step was a 150,000 square feet laboratory facility, for which relief was needed from the prevailing local property tax. A Chapter 121A tax agreement was proposed and approved by the City Manager and the City Council. DHCD then gave final approval to the 121A status of Biogen. As the land was in the existing Kendall Square Urban Renewal area, DHCD also approved a change in the Urban

Renewal Plan to accommodate Biogen's needs. In order to complete its full expansion, the city will execute with Biogen additional Chapter 121A agreements for three to four additional buildings.

The ability of the city and the state to offer what is essentially a 15 year "tax break," and to accept a substitute reduced excise tax, guaranteed the city at least some tax revenues on property that probably would have been undeveloped.

Clearly, the City of Cambridge and the Cambridge Redevelopment Authority have learned that 121A projects are feasible in the Kendall Square Urban Renewal Area. The exploration of projects outside urban renewal areas is also underway. Such projects will clearly stimulate a lagging economy and, in the long run, result in full tax revenues for the city. The benefits of tax payments, job growth, positive impact on support businesses, and increased construction activity, demonstrate the effective utilization of Chapter 121A.

For further information, contact:  
The Cambridge Redevelopment Authority  
4 Cambridge Center  
Cambridge, MA 02142  
(617) 492-6800

### 4.3 ECONOMIC DEVELOPMENT AND INDUSTRIAL CORPORATIONS

**Purpose of the Organization:** EDICs are economic development organizations created on the municipal level to stimulate economic development and expand employment opportunities. EDICs implement local economic development projects, such as industrial parks, in areas experiencing high unemployment, deteriorated developed areas and blighted open areas. Unlike the broader scope of projects undertaken by Redevelopment Authorities, however, projects implemented by EDICs focus on industrial and manufacturing development.

**Legal Structure:** EDICs are quasi-public entities established by a municipality either through Chapter 121C of the Massachusetts General Laws, added in 1972, or through a Special Act of the legislature through Home Rule Petition.

While most EDICs are established by one city or town, Section 3 of Chapter 121C authorizes the formation of a consolidated EDIC by two or more municipalities. Consolidated EDICs are encouraged because they can:

- reduce the ability of companies to play off neighboring communities against each other when looking to locate;
- lessen adverse regional impacts of siting industrial developments;
- create opportunities to share costs of infrastructure improvements, technical assistance, marketing and firm retention.

**Range of Activities:** EDICs are primarily oriented to industrial real estate development. They are authorized to:

- undertake economic development project planning;

- acquire land through eminent domain (requires two-thirds vote of city council)
- with approval by mayor or manager, or by town meeting; also requires a public hearing and the "advice" of DHCD);
- develop, sell, lease, mortgage, transfer, or exchange property;
- borrow and invest money, and issue corporate as well as revenue bonds;
- receive grants, loans or advances from federal/state/local government;
- pledge the credit of the municipality;
- finance pollution control facilities;
- manage projects;
- act as an Urban Redevelopment Corporation under Chapter 121A.

In some cities, such as Lynn and Boston, EDICs have become the major industrial development entity, spawning subsidiary organizations to do direct financing and carry out other economic development functions.

Although vested with a wide range of powers to facilitate development, activity by a 121C EDIC is restricted to industrial and manufacturing uses. Some municipalities, however, when establishing an EDIC through Home Rule Petition, have elected to use a less specific interpretation of what constitutes economic development and allow their EDICs to take on commercial and social service projects that effectively spur economic vitality. As such, the EDIC becomes the primary economic development tool for the municipality, from which all planning and program implementation originates.

Chapter 121C stipulates that no activity can occur without a plan for development that has been approved either by a two-thirds vote of the city council with approval by the mayor or manager in a city; or a two-thirds vote in an annual or special town meeting in a town. The EDIC must also submit the plan to a public hearing before it can be acted upon. The plan must include:

- the boundaries of the site;
- the location of the land to be acquired;
- structures to be demolished, removed or rehabilitated;
- proposals for development and general public improvements;
- proposed zoning changes, if any.

Accompanying the plan must be a report on the plan by the municipal planning agency, a statement regarding the proposed method of financing and, if necessary, a comprehensive relocation plan.

**Management and Staffing Structure:** The board of directors of an EDIC is comprised of seven members appointed by the city or town executive. The statute requires that one member be experienced in industrial development; one member be experienced in financial matters; one member be representative of low-income people; and three people be representative of the public-at-large, one of these a municipal officer. The board is appointed by the mayor or manager with city council approval in a city, and by the board of selectmen in a town. The board is appointed to staggered three year terms.

Staffing depends largely on the size of the municipality. While many EDICs have a director or coordinator to oversee projects and a part-time staff person for administrative and bookkeeping

functions, other EDICs have very minimal staff capacity.

**Sources of Funding:** EDICs may receive funding from federal, state, and local sources. Many EDICs receive allocations for salaries and operating expenses from the municipalities in which they are located. Projects and proceeds from sales and leases also generate income for EDICs.

**Steps Needed to Implement Model:** Any municipality that has been designated by the Department of Labor as containing substantial unemployment may establish an EDIC. As stipulated by 121C, a vote is taken by the municipality, either by the city council or town meeting, which establishes a need for an EDIC. The chief executive must also approve.

Towns must receive certification from DHCD in order to establish an EDIC. To be certified, the board of selectmen or chief executive should submit to DHCD:

- a letter from the board of selectmen requesting certification;
- a certified copy of the town meeting vote establishing and authorizing the creation of an EDIC;
- a comprehensive economic development plan;
- evidence that there is significant demand for industrial land;
- evidence that the Redevelopment Authority is unable to assemble industrial lands;
- Department of Labor statistics that indicate that the town is experiencing substantial unemployment;
- documentation that shows that the economic development area in the town is decadent, blighted or substandard, is zoned industrial,

and contains no more than 45 dwelling units; and, a list of the seven members appointed to the EDIC, along with qualifications and terms of office.

In cities, a majority vote by the city council is needed for certification, but DHCD approval is not required. As in the case of Redevelopment Authorities, EDICs must have an economic development plan that shows one or more economic development projects. No individual project can be approved without an economic development plan. The plan must go through a public hearing process and be approved by a two-thirds vote of the city council with the approval of the mayor or city manager, or by a two-thirds vote at an annual town meeting. Lastly, incorporation papers must be filed with the Secretary of State.

**Advantages/Disadvantages:** Municipalities looking to retain or attract a manufacturing or industrial base should consider the EDIC model. The broad powers granted to an EDIC makes it particularly attractive for projects involving the development of an industrial park. Since the planning process required of an EDIC is less arduous and less regulated than that required of a Redevelopment Authority, it is possible to establish an operational model more quickly and, once established, make decisions faster because of less involvement of outside actors such as the state (since it is not state supported). EDIC projects are submitted to DHCD for a review to see if the project complies with the regulations but are not reviewed for the context of the project. If DHCD disapproves, the project can still be done, as long as the locality approves.

Only a few EDICs have been formed in recent years. When they were first developed, many were established because they were "new" and because they were less dependent on the public sector than Redevelopment Authorities are. Some of the EDICs that were formed have never done a project and are now inactive. The main constraint is the lack of funds, since there are no public programs specifically geared to finance EDICs.

Another major constraint of the EDIC model is its limitation to doing only industrial activities, and only in a blighted open or decadent area. Communities looking for economic development projects that are other than industrial or to locate anywhere in the community should not consider an EDIC.

A final constraint on EDICs is that their authorizing legislation calls for them to be created in areas of high unemployment, according to criteria of the US Department of Labor. Some municipalities may not qualify, even in recessionary times. Still, smaller, more residential municipalities could consolidate to meet this requirement.

In many cases, it might make sense for smaller cities and towns to form consolidated EDICs in order to best serve all of their needs. However, consolidated EDICs are more difficult to organize than single municipal entities, due to the inherent coordination problems when several entities work together.

## **PROFILE: THE WHITMAN ECONOMIC DEVELOPMENT AND INDUSTRIAL CORPORATION**

In 1981, the Town of Whitman was given a building owned by the Commonwealth Shoe and Leather Company, producers of the Bostonian shoe. This gift launched the town's first economic development effort in the creation of the Whitman Economic Development Industrial Corporation. On May 12, 1981, the Town of Whitman voted to accept the provisions of Chapter 725 of the Acts of 1972 in order to create this mechanism for economic development. In 1982, the town received a Small Cities Community Development Block Grant allocation of \$295,000 for the purpose of renovation, and a 250,000 square foot multi-unit building was created.

Now known as the Bostonian Industrial Complex, the building functions as an incubator for small start-up businesses. According to the

EDIC staff who oversee operations at the facility, small companies are rented affordable space so that they can go through the risky early days of the venture and start to grow. Fledgling companies get their start here, become established, and then look for larger accommodations or build their own facilities. Currently the complex houses about thirty businesses and employs 180 persons. Many firms are in the garment industry. Some are manufacturers, designing and producing patterns for retailers. Several others are contract shops which cut fabrics for businesses in the complex and for such giants as Talbot's and JC Penney.

Currently, the town receives \$11,000 in real estate taxes from the facility.

Given the success of this incubator venture, other communities are looking to acquire buildings which they can renovate and rent to small firms at a low cost, thus creating both jobs and revenue for the municipality.

For further information, contact:

The Whitman EDIC  
7 Marble Street  
Whitman, MA 02382  
(617) 447-4367

## 4.4 COMMUNITY DEVELOPMENT DEPARTMENTS

**Purpose of the Organization:** Community Development Departments are consolidated offices within municipal governments charged with all the duties and tasks involved in community and economic development. Consolidating the responsibilities and powers of the Redevelopment Authority, the Planning Board, the Industrial Development Commission, the Industrial Development Finance Authority, and any other agency or entity engaged in development activities, serves to coordinate efforts. This coordination encourages a comprehensive planning and implementation approach to development.

**Legal Structure:** Prior to 1987, Community Development Departments could be formed only through a Special Act of the legislature. However, in 1987, Chapter 43C was added to the Massachusetts General Laws which sets forth optional forms of municipal administration. Section 12 enables municipalities to create consolidated departments of community development which encompass all offices, agencies or entities participating in community or economic development. Chapter 43C also provides a local adoption process for accepting the provisions of Section 12, and requires passage of a by-law to establish the Department.

**Range of Activities:** A Community Development Department may perform all the functions of the offices, agencies or authorities whose functions have been superseded by the creation of the department. Thus, a Community Development Department may be authorized to do community or economic development project planning; acquire land through eminent domain; improve property; sale, lease, mortgage, transfer, exchange or otherwise dispose of property; borrow money, invest money and issue bonds; receive grants, loans or advances from federal/state/local government; pledge the credit of the municipality; finance pollution control

facilities; manage projects; and act as an Urban Redevelopment Corporation under Chapter 121A. Additionally, a Community Development Department may have the authority to perform long-range physical, transportation, and human services planning; determine land use and zoning restrictions; enforce municipal codes; and perform inspections.

**Management and Staffing Structure:** Any Community Development Department established through Chapter 43C must have a director appointed by the mayor or manager in a city or the board of selectmen in a town. Term of office may be no less than three years, nor no more than five years. A Community Development Board is required, consisting of five members, four of whom are appointed by the municipality, either by the mayor, manager or city council in a city or the board of selectmen in a town; one of whom is appointed by the Commonwealth through DHCD. This body acts as the Community Development Authority. Terms are staggered over five years. Community Development Departments created through a Special Act set forth their own management and staffing structures, but are subject to approval by the legislature.

Staffing of the Department is determined by the director. Structure and size, then, vary according to the needs and size of the municipality, as well as the funding available.

**Sources of Funding:** Federal funding for projects undertaken by Community Development Departments can be obtained from federal and state sources. In addition to special DHCD programs, Community Development Departments authorized to undertake urban renewal activities are eligible for URDG monies from the Commonwealth. Additionally, some municipalities have raised funds for projects through bond issues.

Staff salaries and operating costs for Community Development Departments are generally funded by local government.

**Steps Needed to Implement Model:** The process of establishing a Community Development Department as outlined by Chapter 43C is as follows:

- A petition to establish the Department, containing at least 10 percent of the number of registered voters living in the municipality, must be filed with the municipality's Board of Registrar of Voters.
- Within 30 days of the filing, the Board of Registrar of Voters must certify the petition;
- After certification, the petition is submitted to the voters for approval or disapproval at the next regularly scheduled municipal election.

Each individual municipality needs to decide exactly which agencies and resources are to be consolidated within the Community Development Department. Not all Community Development Departments consolidate the same agencies when they are formed. It is important that the mayor facilitate the process by meeting with all existing development entities to outline future policy directions reflecting shared goals. The support of these entities will probably be critical to the successful implementation of a consolidated Community Development Department.

Chapter 43C also provides that the city council in a city or the board of selectmen in a town may submit to the voters of the municipality a proposal for the establishment of a Community Development Department.

**Advantages/Disadvantages:** Community Development Departments consolidate planning and development activities which lends a comprehensive perspective to economic development. This results in efforts which are

better coordinated, especially when there is a wide range of activity occurring. Municipalities looking to take significant action to influence their local economy may find that this type of comprehensive approach offers a useful means for pursuing their strategies. It is important that municipal leaders and citizens be aware of both the immediate and long-term benefits of department consolidation so that support for community development endeavors can be sustained.

While consolidation and coordination of activities may be more efficient, the concentration of all planning and development powers in one office under the control of the mayor or manager may present problems. Strategic, long-term planning may take a back seat to taking care of day-to-day operations. The election of a new mayor or city council could change the entire direction of the Department.

Community Development Departments tend to be more reactive than action oriented. This may be because they are not geared toward specific projects the way other economic development organizations are, but are, instead, another layer of municipal government. There may be limits to the energy focused on special problem areas due to a larger, "big picture" approach.

Most larger towns and cities already have a Community Development Department, as most were formed in the 1970's to receive CDBG monies from the federal government. Now it is mostly small towns dealing with growth issues that are considering forming Community Development Departments.

## **PROFILE: CITY OF PEABODY COMMUNITY DEVELOPMENT DEPARTMENT**

The Community Development Department in Peabody was established through Special Legislation Chapter 502 in 1977. This Act called for the reorganization of Peabody's Redevelopment Authority, Planning Department

and Inspectional Services into the Community Development Department. At that time Peabody was experiencing tremendous economic decline. The leather industry, once the centerpiece of the city's economy, suffered greatly after World War II, as firms moved south and then overseas. By the 1970s, leather manufacturing in Peabody was virtually dead, and with nothing to replace it, the local economy was in serious trouble. In assessing the situation, city leaders felt that community development activity needed a much broader scope and a better coordinated effort in order to reverse this economic decline.

The Community Development Department took a two-pronged approach to economic development. The first strategy was to diversify Peabody's stagnating manufacturing sector. The second was to revitalize the city's downtown commercial district.

In the late 1970's, the Department began assembling land and making improvements for an industrial park. A municipal bond measure provided \$9 million dollars for initial assembly and development for Centennial Industrial Park. The Department received \$2.2 million from EDA for infrastructure improvements at the park and used Urban Development Action Grant money to cover the costs of the park incurred by firms locating there. These funds provided the financing incentives necessary to encourage new businesses to locate in the park. The Community Development Department believes that using UDAGs to provide low interest loans as an enticement was a good strategy; the \$15 million issued will result in a repayment of \$25 million over a 25 year period, money that can be used for future economic development activity. Centennial is a 307-acre industrial park on Route 128, containing over 2 million square feet of space. It currently houses 150 high-tech, manufacturing, wholesale, health service, advertising, and

financing firms and employs approximately 5,000 people. Within the next three to four years, Centennial is expected to employ 7000 to 8000 people as expansion of the park continues. Currently, the Department is working to develop seventy acres of land adjacent to the Centennial park known as the "golden triangle."

The second major effort undertaken by the Department was a downtown revitalization project which started in 1982 and is ongoing. Utilizing the Facade Improvement Program, a component of DHCD's Small Cities Program, the Department was able to facilitate the financing for substantial renovation of the exteriors of over 50 business establishments in the downtown commercial district. To complement these improvements, the Community Development Department secured financing through the Commonwealth's Small Cities Program for interior renovations of many of these businesses. The revitalization effort has brought new life into Peabody's once-decaying downtown area. In addition, using both federal funds and Small Cities funds, most of the city's downtown infrastructure has been improved.

The Peabody Community Development Department, with a staff of approximately 26, has four divisions: Planning, Community Development, Inspectional Services and Public Properties. Each of these has a staff of professional planners and administrators who report to their respective division heads. The Executive Director of the Department oversees all divisions.

For further information, contact:  
City of Peabody  
Community Development Department  
City Hall, 24 Lowell Street  
Peabody, MA 01960.  
(508)532-3000

## 4.5 DEVELOPMENT AND INDUSTRIAL COMMISSIONS

**Purpose of the Organization:** Development and Industrial Commissions (also known as Industrial Development Commissions, IDCs) are established to promote and market a community to developers and businesses. These organizations usually focus on the recruitment and early "deal-making" with prospective developers and tenants for industrial property in their town or city. Development and Industrial Commissions tend to work closely with the town's board of selectmen (or other authoritative body) who may have final say over what kind of development takes place. These Commissions cover only one specific city or town.

**Legal Structure:** IDCs are voluntary, advisory organizations created in communities with limited economic development capacity. Chapter 40 S.8A, the Massachusetts law governing the operation of Development and Industrial Commissions, says that, "A city or town which accepts this section may establish a development and industrial commission for the promotion and development of the industrial resources of said city or town." This law is basically concerned with how board members are chosen and their length of term. The law calls for the Commission to consist of between five and fifteen members and to be appointed by the mayor, town manager or board of selectmen.

**Range of Activities:** By law, these Commissions can do the following:

- conduct research into industrial conditions;
- develop educational or commercial projects encouraging the development of the local economy;
- coordinate "unofficial bodies" also working for these purposes; and
- prepare and distribute materials related to their economic development goals.

Development and Industrial Commissions may be the first entity to deal with a prospective developer or tenant interested in their area. They may have been responsible for actively recruiting the developer or tenant or they may act as the referral agency that prospective developers or tenants are sent to for preliminary information.

Very few Commissions use their full powers, and in fact, some existing Commissions in the Commonwealth are largely inactive.

**Management and Staffing Structure:** Unlike most other organizations, the Commissions do not have boards of directors. Instead, they can report to a governing board of the city or town, or be part of a larger committee consisting of municipal officials where the entire committee votes on recommendations of the Commission. The Commissions tend to be composed of volunteers and any staff or administrative work is usually done by an employee of a related public agency, such as the town planning department.

**Sources of Funding:** Commissions tend to work on very small budgets. In some towns, a minimal amount of public money is allocated to the Commission. While there is no reason why they cannot use public resources, Development Industrial Commissions do not usually work with state and federal programs.

**Steps Needed to Implement Model:** Communities interested in forming a Commission should do the following:

- 1) Determine the need for the Commission by making certain that there is enough industrial land available to make a Commission worthwhile. It should also be determined that the Commission's activities will not unnecessarily duplicate the activities of other organizations.

- 2) Discuss plans for the Commission with agencies that would work with the Commission. Since the Commission will not have the power to make final decisions or to offer financing, Commission members should be knowledgeable about the agencies that do have these powers. It is these other agencies that may initiate the idea for a Development and Industrial Commission.
- 3) Consult the state laws regarding Development and Industrial Commissions. These laws have guidelines on the correct number of Commission members and how they should be selected.
- 4) Make arrangements for prospective members to apply to the mayor, town manager or selectmen for appointment to the Commission. The available positions should be advertised so that all interested parties can apply.

**Advantages/Disadvantages:** Because Development and Industrial Commissions have less power and a narrower scope of activities than most other economic development organizations, there are cities and towns where such an entity would not be beneficial. These Commissions are most suitable for small towns that do not have a professional staff or other organizations that do economic development work. Forming a Commission is a good way to organize a group of people to handle economic development work and be the initial contact for businesses wanting to locate in the town.

The major disadvantage of such a Commission is its relative lack of power. It cannot do financing or purchase or develop property. The marketing and promotion activities that the Commission can perform are probably done by other economic development organizations in the same geographic area, such as the Chamber of Commerce. In addition, there are no particular sources of public funds targeted for IDCs. If a

town or city lacks adequate economic development organizations, it may want to develop a new more comprehensive organization that can do more than promotion and marketing, (for example, land assembly and financing), so that an IDC may not be appropriate.

## **PROFILE: TOWN OF OXFORD, DEVELOPMENT & INDUSTRIAL COMMISSION**

The Town of Oxford formed its Development and Industrial Commission in the 1960's in order to develop and market industrial land in the Town of Oxford. The town looked to the Commission to initiate development for an industrial park and to serve as a "stepping stone" by providing information and screening applicants. To this day, the Oxford Industrial Park remains the main focus of the Commission. The first section of the park was completed in the late 70's and the Commission continues to have responsibility for the development of the second section, now nearing completion.

When there is an opening on the Commission, local residents apply to the town manager who does the screening and selection. Service is on a voluntary basis, and the only paid staff for the Commission is a clerk in the town Planning Department who does work for the Commission as needed. This work is paid for out of town funds which are assigned to the Commission every year along with funds for other town departments. The town planner has been working closely with the Commission on the industrial park project. The Commission does not do active recruitment of new industry and business. Instead, the Commission holds public meetings twice a month where companies interested in locating in the Oxford Industrial Park give presentations and discuss entry into the park with the Commission.

The six members of the Commission are also members of what is known as the "Committee of 13." This Committee consists of the Commission, the board of selectmen and the town manager, and has final approval over

development decisions made for the industrial park. This Committee has rejected projects for the park that were initiated by the Development and Industrial Commission. Both the Commission and the Committee are particularly interested in getting light manufacturing industries to locate in the park. Thus far, companies that have located in the park include small machine tool shops, a tent manufacturer, a company that does wiring for computers, a construction business, a sheet metal and welding business, a trailer leasing and repair company, an

excavation company, a manufacturer and warehouses of vinyl film, a machinery rebuilder, knife manufacturer, printing company, and other diversified companies.

For further information, contact:  
Oxford Development and Industrial Commission  
Memorial Town Hall  
325 Main Street  
Oxford, MA 01540  
(508) 987-6042

## 4.6 INDUSTRIAL DEVELOPMENT FINANCE AUTHORITIES

**Purpose of the Organization:** Industrial Development Finance Authorities (IDFAs) were established for the purpose of issuing tax-exempt revenue bonds. Small-issue industrial revenue bonds (IRBs) are issued by state and local governments to finance the purchasing of land and depreciable assets by or for private corporations. Interest on these bonds is exempt from federal income taxes, thus allowing businesses to finance projects at lower interest rates than under conventional or taxable bond financing. Because of this cost savings, state and municipalities promote the availability of IRBs in order to attract and retain industries. The bonds are not secured by the "full faith and credit" of the issuing municipality, but are payable only from the revenues of the firm receiving the bond proceeds.

**Legal Structure:** The original Massachusetts industrial bond program was established by the state legislature in 1967 (Chapter 40D of the Annotated Laws of Massachusetts). The legislation authorizes each municipality or group of two or more contiguous municipalities to establish an industrial development finance agency (IDFA) for the purpose of issuing industrial revenue bonds.

As part of the state Task Force on Capital Formation in 1976 the IDFA program was reviewed. This Task Force recommended the establishment of the Massachusetts Industrial Finance Authority (MIFA) to provide statewide IRB capability. The IDFA program was to remain in place, but IDFA bond issues would now need to be approved by MIFA. More importantly, with the establishment of MIFA, businesses in areas without IDFAs could go directly to MIFA for their tax-exempt financing.

The original statute outlines the structure of the IDFA. The board of directors of the IDFA must be composed of five members. The

directors are originally appointed for one, two, three, four, and five year terms respectively. At least one director must be experienced in financial matters, one in real estate, and one in town or city government. Membership on the board is restricted to residents of the municipality.

**Range of Activities:** The main purpose of the IDFA is to issue tax-exempt revenue bonds which provide low-cost financing for local businesses. IDFAs have the power to acquire, purchase, hold, or lease property in the municipality; to construct and to improve, maintain and repair facilities.

Prior to 1978, eligibility for the use of an IRB was limited to industrial, manufacturing, and research and development enterprises. In 1978, the eligibility requirements for firms using IRBs was expanded to include wholesale establishments and any business located in a specially designated Commercial Area Revitalization District (CARD).

As a result of the Federal Tax Reform Act in 1986, the entire market for IRBs has changed. First, the Act reduced the per-capita amount of tax-exempt financing allowed in each state to \$50 per person. Second, the Act took away key incentives from banks to participate in tax-exempt financing. Banks have been the primary purchasers of IRBs. This decline in the role of banks had made the role of MIFA even more important. MIFA was in a better position to find purchasers for the bonds on a national level, something few local IDFAs have the capacity to do. Finally, the eligibility for tax-exempt financing was narrowed to a more restrictive definition of a manufacturing facility. IRBs can be used by manufacturing firms and by 501(C)(3) corporations, which can use IRBs as long as they are in a CARD district and own the project for which the IRB is issued.

MIFA has now become the Massachusetts Development Finance Agency (MDFA) and encompasses additional functions. MDFA believes that local IDFAs play an important part in the issuing of IRBs and encourages borrowers to work through their IDFA if one exists. Local IDFAs are appropriate vehicles for conducting the initial review of the local impact of the project. The local IDFA can reject the project, approve the project and do the financing itself, or waive its financing authority and send the borrower to MDFA for financing. Some local IDFAs continue to do their own bonding, but this is difficult as a result of the federal tax code changes. Because banks are no longer purchasing the bonds, the local IDFA and the borrower must work together to find a purchaser. If they cannot, they will ask MDFA to execute the bonding.

#### **Management and Staffing Structure:**

Currently, about 140 municipalities, 35 of which are active, have established IDFAs. However, few of these issue bonds. Since the creation of MIFA (now MDFA), the activities of the local IDFAs have decreased further. Most local IDFAs function with volunteer boards. Few of these boards meet regularly; meetings are called when there is business to consider. Since MDFA has an extensive staff capable of working with local businesses to put together a financing package, local IDFAs use the resources of MDFA.

The role of the local IDFA in the issuance of tax-exempt bonds differs greatly depending upon the capacity of the IDFA. Many of the IDFAs in the state have no staff capacity at all. In some communities, the local planning staff may provide administrative services for the local IDFA.

In the larger cities, the IDFAs play a more fundamental role. For example, the Boston IDFA, which is housed at the Boston EDIC and receives staff support from the EDIC, is an active player in the financial market. The IDFA works closely with the borrower business to put together an appropriate financing package,

locates purchasers for the bonds, and helps businesses to access credit.

**Sources of Funding:** In a sense, the primary source of funding for IDFAs is the federal tax system. It is through the tax-exempt status of industrial revenue bonds that IDFAs have the capability of issuing low cost financing to local businesses. The actual issuance of bonds by the IDFA also results in fees for the issuing entity. Thus, most IDFAs require minimal, if any, project funding from the municipality itself.

**Steps Needed to Implement Model:** IDFAs must be created by a municipality in a manner provided by statute (Chapter 40D). In order to establish an IDFA, a municipal legislative body has to declare by vote that an Industrial Development Finance Authority is needed and that:

- 1) unemployment or the threat thereof exists in the municipality, or
- 2) security against future unemployment and local business opportunity is required and that actual or potential unemployment or lack of business opportunity can be mitigated by encouraging economic development through industrial projects financed by IRBs.

The legislation includes a requirement that - before approving an IRB, an IDFA needs to find that "the project has, so far as feasible, been located in a low-income area of the municipality so that employment opportunities will become available to the residents of such area."

The establishment of the IDFA and the method of appointing the board of directors differs depending on the type of municipality.

1. In a city having a Plan D or E form of Charter, the city council must vote on the establishment of the IDFA with the approval of the city manager. The board of directors is appointed by the city manager with the confirmation of the city council.

2. In a city with a mayor, the city council must vote to establish the IDFA with the approval of the mayor. The board is appointed by the mayor with the confirmation of the city council.
3. In a town, an annual or special town meeting must be held to vote for the establishment of the IDFA. The board of directors is then appointed by the board of selectmen.

Two or more contiguous municipalities may agree to consolidate their prospective Industrial Development Finance Authorities, or to establish a consolidated Authority. Appointment and certification of the original directors of an authority must be provided to the Secretary of State of the Commonwealth.

**Advantages/Disadvantages:** With the creation of MIFA, the role and power of the local IDFAs were diminished and many became inactive. The federal Tax Reform Act of 1986 further decreased the need for local IDFAs as it became much more difficult to issue bonds. Some IDFAs remain active in order to review local proposals before they are sent to MDFA. MDFA finds this to be an extremely important role and takes the opinion of the local IDFA very seriously. The primary exceptions to this are the IDFAs in the major cities which continue to play decisive roles in economic development.

The future of IDFAs is now uncertain due to the change in the federal tax laws in 1986. The tax reform laws are likely to significantly change the capability of IDFAs to provide lower cost financing to local businesses. In response to tax reform, MDFA has developed a number of innovative programs which provide for lower cost financing for businesses in the state through "taxable" bonds.

Unless there is a fundamental change in federal legislation pertaining to tax-exempt IRBs there is little reason for a municipality in the Commonwealth to establish an IDFA, as MDFA

is available to do the financing and other economic development entities can perform the other economic development functions. However, IDFAs that already exist can play an active role in reviewing and even financing local projects.

## **PROFILE: IDFA OF THE CITY OF TAUNTON**

In the early 1970's, industrial revenue bonds (IRBs) were seen as a very useful vehicle for promoting economic development throughout the Commonwealth. Wishing to maximize the potential for attracting industry with this strategy, in 1973 the City of Taunton established its IDFA. In the twenty-four years since its inception, the Taunton IDFA has recommended the issuance of \$82 million in IRBs, accounting for 48 projects. As part of this activity, 40 new businesses were started and 12 existing businesses were expanded. Over 4000 jobs were realized as a result of these bonds.

The Taunton IDFA serves in an advisory capacity to the city council by conducting the initial screening of bond applications. After reviewing the applications, taking into account anticipated public benefits, adverse impacts, and the types and number of jobs that will be created by the proposed project, the IDFA makes its recommendation to the city council. If confirmed by the council, the application is then forwarded to the Massachusetts Development Finance Agency (MDFA), which will conduct a final review and be the entity to actually issue the bond.

The major project for which the IDFA was a lead participant was the development of the Miles Standish Industrial Park, a 437-acre complex which houses 104 businesses and employs over 5,300 people. The IDFA has recommended approval of approximately \$54 million in IRBs for projects in the Park.

The Taunton IDFA, as required by Chapter 40D provisions, has a five member board of directors. Represented on the board are real estate, finance,

legal and public interests. The executive secretary is the only staff member and is also the executive director of the Taunton Industrial Development Corporation. This corporation is a non-profit organization established by the city and the Industrial Development Commission and is charged with many of the management responsibilities for economic development projects in the city, including management of the Miles Standish Industrial Park. The IDFA has no budget; expenses are rarely incurred and when they are, the Industrial Development Corporation absorbs the cost.

The changes in the tax laws and the lack of available space at the Miles Standish Industrial Park had left the Taunton IDFA fairly inactive over the past few years. However, legislation was passed in 1994 allowing 217.9 acres to be purchased by the Industrial Development Corporation to expand the Myles Standish Industrial Park over the next three to five years, allowing for the potential of 10 to 15 new companies with 1000 to 1,500 employees. The acquisition took place in April of 1995, and the infrastructure completed in January 1996. Four buildings are currently occupied, one is under construction, and there is a Purchase and Sale agreement on three more.

For further information, contact:  
The Taunton IDFA  
14 Merchants Lane  
Taunton, MA 02780  
(508) 821-1168

## 4.7 LOCAL DEVELOPMENT CORPORATIONS

**Purpose of the Organization:** LDCs are formed to strengthen the commercial and industrial sectors of local communities primarily through the provision of financing to business. The distinguishing feature of most LDCs, compared to other economic development organizations, is the joint involvement of the public and private sectors. This facilitates the combining of resources and a cooperative approach among government, business, and civic interests in addressing local economic problems and opportunities. Many LDCs were formed for the express purpose of promoting revitalization of older downtown commercial areas. Other LDCs focus their efforts on assisting new and expanding businesses or promoting the location of industry in their communities or municipalities.

**Legal Structure:** There is no specific legal structure known as a Local Development Corporation which carries with it stringent requirements as to what the LDC must look like. Because of this, while the various LDCs in the state have much in common, they could also be quite different from each other.

LDCs are generally organized as *private non-profit* organizations. However, LDCs can also be established as *local development and financial corporations* under state charter. The local government submits a proposed charter to the General Court which then is enacted into law. The advantage of this approach is that it encourages businesses and financial institutions to commit funds to the LDC by permitting them to purchase non-dividend-paying stock in the corporation which then become tax deductions. Under this structure, stockholders elect the corporation's board of directors. If business contributions are not expected to be a major source of funding or if the LDC wants to promote broader community participation in the organization's leadership, organization as a

general non-profit corporation under MGL Chapter 180 may be preferable. Neither a charter corporation nor a private non-profit organization is permitted to distribute any profits to individual shareholders or members, which encourages reinvestment in the corporation. LDCs receiving a charter from the legislature are subject to certain constraints. Activity by the organization is limited to a specifically defined central business district during its first five years of operation. Many LDCs are subsidiaries of (or otherwise affiliated with) other economic development entities.

**Range of Activities:** LDCs encompass the following activities:

- Business lending and real estate development are the most common LDC activities.
- LDCs that focus on downtown commercial revitalization may provide small loans to downtown retailers for facade improvements and other cosmetic repairs or larger loans for major renovations and new construction. They may also acquire and redevelop blighted properties. These LDCs often restrict their activities to a specifically defined central business district.
- LDCs that focus on business development and job creation usually lend to a broader set of firms but sometimes target loans to manufacturing firms or other key sources of employment. They may develop small business incubators and other industrial properties.
- LDCs often work in partnership with other financing and development entities, both private and public.

**Management and Staffing Structure:** The common organizational thread among LDCs is the combination of public and private participation. LDC governing boards typically include a merging of government, business, financial and community leaders. This may be embodied in the organization's charter or simply included in its by-laws. The organization may or may not have general members or stockholders. It is typically staffed by one or two professionals, sometimes provided on a part-time basis by the local Chamber of Commerce or by the local planning department.

**Sources of Funding:** While LDCs are eligible to receive a variety of state and federal economic development funds, their organizational form does not give them any special access to these funds. However, the public/private nature of LDCs often makes them attractive recipients of private funding. Sources of private funding include local banks, utilities, business corporations, or Chambers of Commerce; funding is structured as contributions, or in some cases, as stock purchases. In addition, LDCs have sometimes organized themselves to take advantage of federal funding. For example, some LDCs have qualified as local development companies under the now-defunct SBA 502 loan program and, more recently, as certified development companies under its 504 program. The 504 program provides funding for development companies to make fixed asset loans to local businesses in conjunction with private lenders. The SBA requires development companies to have at least 25 members representing local government, business, financial institutions, and community organizations. The development company must also have a full-time staff person to process and service loans. No administrative funds are provided through this program; the major benefit is the ability to leverage low-cost SBA funds for the borrower. When applying to the SBA for 504 designation, the SBA will consider whether there are other 504 corporations in the area and whether another one is actually needed.

**Steps Needed to Implement Model:** Generally, the impetus for the creation of an LDC comes from a local business organization such as the Chamber of Commerce or from the local government. The steps needed to organize an LDC include:

1. An organizing group comprised of government, business, and civic representatives is formed to define the purposes, goals and objectives, activities and structure of the organization and to establish a board of directors.
2. At this time the organization may want to conduct some preliminary fund-raising to obtain initial operating funds and ascertain levels of community support.
3. The next step is to file incorporation papers with the Secretary of State of the Commonwealth and establish by-laws. The organization may also want to file for 501(C)(3) tax-exempt status under the Internal Revenue Code if its activities fit the "charitable" criteria.
4. If the LDC wants to be a 504 lender, the organization should contact the US Small Business Administration about receiving designation as a 504 corporation.
5. The final step is to hire staff and begin developing specific programs.

**Advantages/Disadvantages:** The main advantage of an LDC is the joint involvement of the private and public sectors in the organization. This provides the organization with an excellent starting base for performing economic development work. The LDC enables a cooperative approach among the public and private sectors to address the goals and strategies for the community. It also avoids the disadvantage of public organizations which may not have adequate credibility with the private business community. LDCs are often initiated by bankers and are thus a vehicle for connecting the banking industry with economic development

concerns and the public sector. Having bankers in the corporation gives the entity a degree of sophistication in financial matters that it may not have otherwise.

The LDC is also a very flexible organizational model, because it can be established under more than one legal structure. Thus, the legal structure most appropriate for the goals and activities of a particular LDC can be chosen. In addition, a LDC is also one of the few organizational forms with the flexibility to undertake both real estate development and business financing. In addition, under DHCD's Small Cities Program, LDCs can run DHCD Small Cities projects or act as consultants to communities doing Small Cities projects.

LDCs are at a disadvantage for funding because they do not have access to any special pot of public funding unless they are organized as SBA 504 Corporations. However, LDCs are excellent vehicles for leveraging private resources because they can receive money from private financial institutions, which few other economic development organizations can do.

#### **PROFILE: LOWELL DEVELOPMENT AND FINANCIAL CORPORATION**

The Lowell Development and Financial Corporation (LDFC) facilitates and encourages private sector involvement in the city's economic development efforts. Specifically, the LDFC combines the resources of government and banking resources with the development and management expertise of the business community to bring about economic vitality. It was originally conceived by the local business and banking community as a tool for revitalizing the downtown commercial area. Chartered in 1975 through a Special Act of the legislature, the LDFC has grown from a \$700,000 operation to one which currently manages \$24 million in assets. Through its various loan programs, the LDFC has participated in over 170 projects since its inception, focusing on industrial, commercial and residential development.

The original statute which established the LDFC, stipulated that it must confine its efforts to the restoration of the downtown area for the first five years of its operation. By amending its statute in 1978, the LDFC helped bring the Wang Corporation to Lowell. The city procured a five million dollar Urban Development Action Grant (UDAG) for the company which was administered by the LDFC. Eighty percent of the Wang UDAG repayments were earmarked for the Industrial Loan Pool which is utilized for new or expanding industrial developments. In addition, the LDFC is administering other UDAGs for various projects and \$750,000 for the city's Historic Preservation Commission.

With the participation of twelve local banks, the LDFC established a First Mortgage Loan Pool Program (FMLPP) totalling \$15 million. The program was established to finance affordable housing in Lowell. By June of 1991, the FMLPP had provided permanent financing for the renovation of the 266 unit North Canal apartment complex and the 12 unit Elias Building for a total of over \$14 million. The Elias Building also contains six first floor commercial units.

The LDFC continues to support projects which will have a major impact on the Central Business District for years to come, such as the acquisition and redevelopment of the Bon Marche building, a main cornerstone of the downtown area. The LDFC also continues to play a major role in the area of affordable housing through the funding of a down payment assistance program for first time home buyers.

The LDFC works closely with another organization, the Lowell Plan, a private non-profit corporation. While the LDFC is strictly a financing agency, the Lowell Plan seeks to foster cooperation among business interests and encourages collaboration between business and government. Since 1981, the Lowell Plan has raised \$5.6 million in private contributions.

The LDFC has a 50-member board of directors, some of whom are shareholders in the

corporation. Represented on the board is a broad cross-section of interests; along with the business and banking industries there are public agencies, non-profit community groups, and social service providers. The LDFC is staffed by an executive director and an executive assistant. In addition, two staff people from the city's Division of Planning and Development are assigned to LDFC projects, with others assigned as needed. The

Lowell Plan and the LDFC share an executive director and the Lowell Plan contributes to the funding of the operations budget.

For further information, contact:  
Lowell Development and Financial Corporation  
11 Kearney Square  
Lowell, MA 01852  
(508) 459-9899

## 4.8 PRIVATE NON-PROFIT ECONOMIC DEVELOPMENT ORGANIZATIONS

**Purpose of the Organization:** Private, non-profit economic development organizations have many purposes and activities. The major role of these organizations is to act as non-profit developers, combining related activities, such as developing industrial parks and providing loans to businesses. These developers often serve to bring industrial development to areas that are having trouble attracting private for-profit developers or to promote private investments which revitalize commercial activity in downtown areas.

**Legal Structure:** There is no one legal structure for a private, non-profit entity nor any special state charter to be followed. The precise structure chosen depends on the type of activities planned by the organization and the characteristics of the private and public sectors in the community. Some non-profit economic development organizations are created under Special Acts of the legislature, and given special powers such as exemption from property taxes. Many others are incorporated as non-profit corporations under Chapter 180 and acquire tax-exempt status.

What distinguishes private, non-profit economic development entities is that the public sector neither "initiates" nor controls the organization, but enables the private sector to do economic development work on a non-profit basis. The board of directors is chosen by the organization's membership, which is usually comprised of the public and private sector leaders in the community. Some non-profit developers have only private sector representatives on their board; while others enlist relevant public sector leaders in the organization.

**Range of Activities:** While such an organization does not have specific legal powers such as eminent domain, it usually has the power to do many of the other activities commonly needed for real estate and industrial development, such as:

- borrowing money, acquiring land and buildings, making loans, improving property and selling or leasing land or buildings;
- working in conjunction with various state financing programs, as well as with SBA programs;
- providing specialized assistance to local businesses.

**Management and Staffing Structure:** The board of directors of a private, non-profit development organization should be carefully chosen to reflect the expertise needed by the organization. For instance, many board members of the Greater Orange/Athol Industrial Development Corporation are bankers. This has been essential to their success because the bankers have the expertise to put together complicated real estate deals, as well as to provide direct links to their banks' financing for developers. The board of the Lowell Plan consists of several presidents and executives of local businesses. Other organizations have boards that contain a more diversified group of private sector and public sector participants. Staffing is dependent on available financing and whether or not the organization is closely associated with another group. If the organization is affiliated with another group, it may use that organization's staff rather than hire staff of its own, other than a separate board of directors. For instance SEED (the Southeastern Economic Development Corporation) has "borrowed" staff from the Southeastern Regional Planning and Economic Development District.

**Sources of Funding:** Non-profit economic development groups can receive funding directly or be funded by another organization. The Greater Orange/Athol Industrial Development Corporation is funded by the North Quabbin Chamber of Commerce. The Lowell Plan

conducted a seven year fund-raising drive from businesses and individuals which netted \$2.7 million. These organizations are excellent vehicles for participating in public financing programs on both the state and federal levels. Not only do these organizations themselves have access to public funds, but they can also provide a service by helping local businesses and towns apply for public financing. Revenues from development projects can also provide operating funds.

**Steps Needed to Implement Model:**

Individuals and businesses interested in starting a private, non-profit development organization should:

1. decide which development activities the organization needs to be able to perform based on goals and objectives and projects to be undertaken;
2. consider what business and public sector representatives are needed on the board;
3. consider whether the new development organization should be coordinated with an existing economic development organization that wants to branch into actual development work;
4. determine suitable funding sources and apply for funds;
5. decide on incorporation details and ingredients of by-laws.

**Advantages/Disadvantages:** An advantage of private, non-profit development organizations is that their credibility with the private sector often allows them to play a crucial role in promoting commercial and industrial development by doing much of the preliminary groundwork and coordinating other developers. Such organizations are in a good position to influence economic development by leveraging private sector resources to achieve economic development goals. Most importantly, since they are not constrained by the "political process,"

they are also often able to act more quickly and more decisively on any particular project. Moreover, they do not have to go through the process of developing a "plan" and do not require either state or local approvals (except for local zoning ordinances), and thus are able to respond rapidly to perceived opportunities.

In addition, these organizations are not constrained by the need to show a profit, so they are more community-minded than a for-profit developer is likely to be. For instance, non-profit development groups may be willing to sell land at a lower rate than a for-profit developer would, if the sale would lead to needed development. Non-profit development groups also work in their local areas and so may have more of a commitment to the area than out-of-town developers who do projects nationwide. Finally, non-profit development groups are an excellent source of technical assistance and development expertise for small towns that usually do not have many economic development resources.

The disadvantages of such organizations stem from the danger that the private organization's development goals may be different from the public goals for development and this will cause conflicts in the community at large. If there is a strong "public" development agenda, either the public sector should develop its own capacity to perform the development activities or participate as a member of the non-profit organization. The other disadvantage of the private development model is that certain public powers and resources cannot be brought to development efforts. For example, the power of eminent domain could be important in a large scale redevelopment effort, yet is not among the tools available to a private, non-profit developer.

**PROFILE: THE SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION (SEED)**

The South Eastern Economic Development (SEED) Corporation was established by the Southeastern Regional Planning and Economic Development District in 1982. SEED is a

Chapter 180 non-profit corporation certified by the US Small Business Administration to package and service loans under SBA's "504" program. SEED's area of coverage includes Bristol, Plymouth, Barnstable, Dukes, and Nantucket Counties.

Although SEED's mandate as an economic development corporation is broad, SEED has focused on addressing the financing gaps of small businesses in southeastern Massachusetts. The reasoning behind this is that small businesses create most of the new jobs, and the region covered by SEED needs new job creation since its unemployment rates are substantially higher than the state average. Small businesses with less than 20 employees account for 90 percent of all the business in the region, and small businesses have special financing needs not generally addressed by conventional financing.

Today SEED runs eight different programs including: direct loans under the SBA "504" program for fixed asset projects over \$200,000; packaging SBA Guaranty Loans; three Revolving Loan Funds providing loans up to

\$50,000 in participation with bank financing; a Human Capital Fund to finance employee training; a Micro Loan Program funded by DHCD, Bank of Boston and Fleet Bank providing loans up to \$25,000; and an Enterprise Fund with 16 participating banks providing gap financing up to \$100,000.

In 1995 SEED made 132 small business loans, an increase of 65 percent over the previous year. The 132 loans represented \$13 million and leveraged an additional \$15 million in bank funds. These loan funds will help create 750 new jobs. SEED has 200 members and a board of directors of 30 members representing banks, small businesses, chambers of commerce, and economic development agencies in the region. The board meets monthly to oversee SEED's operations and approve loans. SEED's administration is handled by a staff of four.

For further information, contact:  
Southeastern Economic Development Corp. 88  
88 Broadway  
Taunton, MA 02780  
(508)822-1020

## 4.9 CHAMBERS OF COMMERCE

**Purpose of the Organization:** The mission of Chambers of Commerce revolves around improving the commercial and industrial sectors of the community or region. Chambers are comprised of local employers - primarily business people concerned with the vitality of the private sector. The Chamber of Commerce is the oldest form of economic development organization, with many of the Massachusetts Chambers starting over a century ago.

**Legal Structure:** Chambers of Commerce are private, non-profit organizations incorporated by a group of interested businesses located in a community. Most Chambers are tax-exempt through IRS regulations, usually as 501(C)(6) organizations. Chambers that find that they cannot adequately do their work within their legal structures, often form subsidiary organizations that have the appropriate legal structure for the needed activity. Massachusetts Chambers have formed educational foundations, Development Commissions, and Local Development Corporations.

**Range of Activities:** The variety of activities that can be undertaken by Chambers is quite large and depends on the interests and needs of its membership. Chamber activities tend to focus on the following:

Educational resources for members: sponsoring seminars on business issues; publishing a newsletter on legislation and other business concerns; holding networking meetings; having a business library and databases for members to use.

Direct assistance to businesses: doing loan packaging for public monies, such as SBA loans and Industrial Revenue Bonds; conducting actual financing through the creation of a Local Development Corporation; using

SCORE consultation for businesses; using the

SBA's Small Business Development Center for helping business people; holding training sessions for business leaders; offering group insurance rates for member businesses; helping start-up businesses; producing membership directories for marketing; offering assistance for exporting products; and keeping inventories of available industrial land.

Industrial and commercial development: matching businesses with vacant industrial property; revitalizing and strengthening commercial districts; planning industrial parks; and initiating and implementing development projects (often through a development subsidiary.)

Promotional activities: producing and distributing materials that promote the community, its work force, infrastructure, location, etc. for business location purposes.

Other activities: lobbying the state legislature; sponsoring business fairs; tourism promotion; promotion of specific industries; fund drives for social service agencies.

**Management and Staffing Structure:** Chambers are run by a board of directors, usually composed entirely of private sector persons. Chambers try to recruit the top executives of local companies for their boards. Subsidiary organizations created by Chambers need to have separate boards, although some members may serve on both the Chamber and the subsidiary boards. Chamber staffing is dependent on available finances and the programs being implemented. A new Chamber of a small town may exist with only a volunteer staff,

whereas an established Chamber could have thirty paid people on staff.

**Sources of Funding:** The usual source of funds for Chambers are membership dues, corporate contributions and project revenues. Chambers can get public monies for specific projects. The Worcester Chamber used the state's Centers for Excellence program to help fund the Biotech Park. Chambers have also obtained money from or participated in projects with DHCD, the Department of Transportation, and the Department of Environmental Quality and Engineering. Most Chambers involved in business assistance have worked with programs of the US Small Business Administration.

**Steps needed to Implement Model:** Since Chambers have no special statutory requirements, the steps needed to create a Chamber of Commerce are relatively straightforward.

1. The first step in forming a Chamber is making certain that there are enough business leaders willing to take active roles in forming and maintaining the Chamber.
2. A committee of business people should be formed to establish the Chamber. This committee should contact the US Chamber of Commerce in Washington, DC for guidance and information.
3. Suburban or rural areas may want to explore the option of becoming affiliates of a larger Chamber of Commerce in their region, such as the Auburn, Blackstone Valley, and the Westborough/Northborough Chambers which are affiliates of the Worcester Chamber. Or communities can join together to form a regional Chamber such as the Tri-Community Chamber of Commerce which serves Southbridge, Sturbridge and Charlton. In addition, rural areas may want to have a county-wide Chamber as in Franklin County.

**Advantages/Disadvantages:** The advantages of a Chamber of Commerce are many and

Chambers across the state have been able to take leadership roles in economic development. Since many Chambers already provide educational functions for their members, Chambers can be excellent organizations for reaching existing businesses that are in need of assistance. Some business people are wary of dealing with the public sector in regard to assistance and economic development issues, but will work with the Chamber because it has the credibility of the private sector.

Since Chambers often keep track of members' needs and problems around infrastructure, employee skills, and other concerns, Chambers are often the organizations that are most knowledgeable about business needs in a specific location or industry. In addition, through their legislative and lobbying activities, Chambers are excellent vehicles for bringing local business concerns to the state level. Chambers are successful in economic development work also because they have the ability to form subsidiary organizations when needed to perform specialized functions such as real estate development and business financing. In some localities, Chambers and the public sector work cooperatively, and in others, Chambers and the public sector have more clearly defined roles and work separately.

The main disadvantage of the Chamber organization is its lack of direct connection with the public sector. The Chamber's goals in economic development may differ in emphasis from the public sector's goals. This is especially true as a Chamber tends to view economic development as a benefit to business, while the public sector focuses on the benefit to the community. A Chamber of Commerce is a type of economic development organization over which the municipality has the least control.

#### **PROFILE: GREATER SPRINGFIELD CHAMBER OF COMMERCE**

The Greater Springfield Chamber of Commerce (GSCOC) was started over 100 years ago to represent the business interests in the community. Originally formed as a joint civic agency bringing

together several organizations to coordinate business activities with the city government and the community, it currently has 2000 members representing the Hampden County area. GSCOC has 15 staff persons and an annual operating budget of \$900,000. Thirty members representing a broad range of business interests make up its board of directors. An executive steering committee decides on policy and there are several standing committees and a small business advisory council.

The Chamber's 1993 Long Range Plan is as follows:

The Chamber will approach economic development on a regional basis serving as an advocate for small and large business retention, expansion, and development. It will also assume the role of liaison between business and higher education interests. The goals are:

- continue to provide forums on major state, regional, and international issues such as energy, transportation, housing, taxation, etc., and pro-actively address them;
- develop and implement a business expansion and retention program, particularly in the manufacturing sector;
- implement mechanisms to create, support, and promote new and mature small businesses;
- continue participation in structuring a master plan for regional economic development to better focus leadership and funding resources;
- continue to develop and expand the current regional approach.
- more fully utilize the resources of higher educational institutions in the region to gather data, conduct marketing, etc.,;

- clarify the purpose of the Springfield Economic Development Corporation to determine its role in the region's economic development efforts.

The GSCOC's president envisages the organization achieving its goals in a variety of ways. One is participation in regional development efforts. Within GSCOC, there is a small business development and retention support center to work with existing businesses. This center will keep an inventory of available land with industrial and commercial zoning, and provide services that can assist the city's economic development efforts.

The Chamber's primary emphasis is on business retention, and secondarily, on business attraction, which is the focus of the Springfield Economic Development Corporation (SEDC). Current businesses have problems such as environmental concerns, transportation, emergency economic assistance after a fire, and difficulty with regulatory compliance. GSCOC must be able to offer the necessary help.

GSCOC and the City of Springfield have a joint enterprise,- SEDC, a quasi-public organization that is administered by the GSCOC, yet has a separate legal status and its own director and board. Using a mortgage pool that was assembled by bankers, SEDC worked with the city to relocate some of the industries that were in danger of leaving Springfield, and to attract new businesses. SEDC is currently inactive and reassessing its direction. Its revolving loan fund, which was capitalized with a \$500,000 grant from the US EDA, has been taken over by the Community Development Department of the City of Springfield.

One of GSCOC's recent economic development projects is developing unused industrial land in Springfield to attract light metal and plastics-forming machine industries which already have a base in the region.

For further information, contact:

The Greater Springfield Chamber of Commerce

1350 Main Street  
Springfield, MA 01103

## 4.10 COMMUNITY DEVELOPMENT CORPORATIONS

**Purpose of the Organization:** Community Development Corporations (CDCs) are locally-controlled, membership run non-profit organizations established to improve general economic conditions in a community, with a focus on benefiting low and moderate income people. CDCs are one of the primary ways that community residents can impact economic development; it is an organizational form that permits residents to take a pro-active rather than reactive role in community economic development. It enables direct involvement in the process as opposed to the indirect involvement afforded citizens when a public agency is a major participant. A CDC has the flexibility to define its target area which can encompass anything from a small urban neighborhood to a large rural region. Through its membership composition, representation on its board of directors, and project selection, a CDC is an excellent vehicle for focusing economic development on the needs of low income and/or high - unemployment populations. Throughout the Commonwealth, CDCs are promoting industry, training workers, assisting local businesses, and revitalizing older commercial areas via local economic development efforts.

**Legal Structure:** CDCs are private, non-profit organizations established under Massachusetts General Laws, Chapter 180. Within this legal structure, the CDC can be structured in ways that best fit its overall goals. In Massachusetts, eligibility for funding from the Community Development Finance Corporation (CDFC) and the Community Enterprise Economic Development program (CEED) of DHCD, has influenced the structure chosen by CDCs. To be CDFC-eligible, membership must be open to all residents of the target area; the majority of the board of directors must be elected by the CDC membership and be representative of the population in the target area. The target area cannot exceed 115,000 persons. To be eligible for CEED funding, the CDC must be a

501(c)(3) non-profit corporation, have a board of directors composed mainly of persons elected by its membership, have its target area meet certain criteria indicating economic distress, and have a strategic plan for development in the target area. In addition, in order to receive tax-exempt status, the CDC's by-laws must contain language attesting to the "educational and charitable" purposes of the organization.

**Range of Activities:** While for many years, most CDCs tended to focus on housing activities, they have, within the past several years, moved toward economic development as a way to create jobs in their target areas and improve the viability of neighborhood services and businesses. Economic development activities carried out by CDCs can be categorized as follows:

Small business assistance: helping businesses with loan packaging; helping businesses apply for funds from CDFC; working to revitalize commercial districts; providing technical assistance; operating and managing revolving loan funds; coordinating the start-up of needed local businesses.

Industrial development: developing industrial parks; marketing local industry; helping to form associations of firms in the same industry; doing research on industrial sectors; creating small business incubators.

Employment and training: training residents for specific jobs in the community; developing agreements with local employers to hire local residents.

New venture development: developing new enterprises that the CDC will own and operate.

**Management and Staffing Structure:** Selecting representatives for the board of directors is an

essential task in starting a CDC. At least 51 percent of the board must be elected by the membership in order for the CDC to be eligible for CDFC funds. Some CDCs elect as many as 75 percent of their board members, the rest being appointed. Many CDCs have special requirements in their by-laws regarding minority or low-income representation on their boards. CDC boards range in size from 11 to 30 members.

Most CDCs operate with an executive director, one or two other professionals, and one support person. Staffing will be dependent on funding. If funds are insufficient to hire an executive director, then the board will be responsible for day-to-day operations.

**Sources of Funding:** In Massachusetts, CDCs are funded mainly through three state programs:

*The Community Enterprise Economic Development (CEED)* program of DHCD provides operating funds for administration and staffing on an annual basis through a competitive application process.

*The Community Development Finance Corporation (CFDC)* provides funding through CDCs from the Venture Capital Investment Program that offers debt and equity financing to businesses sponsored by CDCs; the Community Development Program that provides flexible financing for CDC-sponsored real-estate projects; and several other programs that extend commercial credit to small businesses in CDC target areas.

*The Community Economic Development Assistance Corporation (CEDAC)* provides funds for technical assistance, although these funds are currently offered only for housing projects.

Money from other state (especially DHCD), federal and municipal agencies and from the private sector is also available for specific

projects. Some municipalities use their Community Development Block Grant to provide CDCs with funding. The US Department of Health and Human Services has special funds for CDCs. Finally, CDCs also obtain money from membership dues, fund raising projects, and foundations.

**Steps Needed to Implement Model:** Interested parties wishing to start a CDC should follow the steps outlined below:

1. Residents determine what the community's or region's needs are, whether these needs are accepted by most residents, and whether these needs can be addressed through CDC type activities.
2. A committee is formed to steer the CDC through its formative steps. This committee should be representative of all the relevant community sectors such as social service and community development agencies, business and finance groups, churches and civic groups, and labor unions and organizations. The committee develops goals, objectives, and strategies for the proposed CDC.
3. The committee then gathers information on the CDC model by meeting with other CDC boards and staff, state agencies that deal with CDCs, and people who have legal knowledge on the process of becoming a CDC. Public forums are held in target areas to forward the concept of a CDC and motivate residents.
4. When it is clear that the CDC has enough support, sub-committees are formed to write the by-laws, develop goals and objectives, define the target area, elect a board of directors, attract membership, and implement the legal work of incorporation.
5. The by-laws should be passed by a vote of the full committee and membership.
6. Final incorporation requires completing the "Articles of Organization" and submitting

them to the Massachusetts Secretary of State's office. Officers of the CDC are chosen at this time, and the CDC applies to the Internal Revenue Service for tax-exempt status.

**Advantages/Disadvantages:** The main advantage in creating a CDC is that it is a form of economic development organization that is resident-controlled and that focuses on benefit for low and moderate income people. As such, it is able to harness the energy and commitment of community residents and apply them to the development process. In addition, CDCs have the rare flexibility to target areas as small as a neighborhood or as large as a region. This is particularly helpful in relation to neighborhood work, since most economic development organizations do not focus on so small a unit. Finally, CDCs have access to specialized funding sources which other economic development entities do not. These include state funding through CEED, CEDAC, and CDFC as well as specialized federal and foundation programs targeted to CDCs.

While CDCs nationally have been active in economic development efforts, many neighborhood-based CDCs in Massachusetts have, until recently, focused on housing development, with some emphasis on commercial assistance and development. Limited involvement in economic development was partially due to lack of experience in this area, but also a result of the risk involved in allocating scarce funds to businesses in low income areas where most CDCs are located.

However, the trend toward economic development projects is expanding as more funding becomes available for this purpose. To access CDFC financing for a specific development project, some municipalities have formed affiliated CDCs. CDCs seem to have the most success with such projects when organized from a true resident base and targeted to an urban neighborhood, or when representing residents of a multi-town rural region.

## **PROFILE: NORTH COUNTY COMMUNITY DEVELOPMENT CORPORATION**

Although it is a small community development corporation with only two full time and two part time staff persons, North County CDC (formerly North Adams CDC) has had a significant impact on the community of North Adams and the surrounding area. The development of affordable housing, a successful small business loan program and an innovative approach to the rehabilitation of a local landmark, highlight this agency's success.

The CDC's "Freeman Grove" restoration project, which began in the fall of 1992, has been completed. It involved the purchase and renovation of three dilapidated multi-family units that the CDC completely gutted and reconstructed, and the production of one two-bedroom and seven three-bedroom units of affordable housing. In December of 1993, the agency purchased three additional distressed properties in the same neighborhood. One is being rehabilitated and two demolished to make place for a neighborhood park. Funding for the project has been secured from DHCD, the City of North Adams, and the North Adams Hoosac Savings Bank.

NCCDC's Small Business Loan Program was recently profiled in the *North Adams Transcript*, a newspaper which described the program as "a study of success." Utilizing funds from a variety of sources, including the City of North Adams and the Western Mass Enterprise Fund, NCCDC addresses the financial needs of both start-up and existing small businesses. Within just the past few years, several small businesses were assisted including a beauty salon, an outer wear gear manufacturer, and an authentic country store.

NCCDC's most exciting and well known project, however, is the restoration of the Mohawk Theatre. Located on Main Street in downtown North Adams, the Mohawk is a classic movie theatre that was built during the depression, vacated several years ago, and had been steadily

deteriorating. The CDC acquired the theater with funds from the city which had received them from Wal-Mart in the form of a linkage fee. The concept behind the purchase and planned restoration was to create a vibrant cultural center that will provide entertainment to local residents but also draw tourists to the area. A survey of area residents showed broad support for a performing arts center which could present a variety of programs including country music, modern dance, comedy shows, film festivals, and children's theater. To support the project, a Mohawk Performing Arts Benefit Series took

place in 1994. It consisted of five or six events at various northern Berkshire locations, and gave local residents a sample of what Mohawk can provide, as well as recruited more members of the community to participate in the restoration effort.

For further information, contact:  
North County Community Development Corp.  
85 Main Street, Suite 602  
North Adams, MA 01247  
(413) 664-6369

## **GLOSSARY OF ACRONYMS**

### **I. Economic Development Organizations**

CDC	Community Development Corporation
EACC	Economic Assistance Coordinating Council
EDIC	Economic Development and Industrial Corporation
IDC	Industrial Development Commission
IDFA	Industrial Development Finance Authority
LDC	Local Development Corporation
RDA	Redevelopment Authority
URC	Urban Redevelopment Corporation

### **II. Massachusetts Public and Quasi-Public Agencies**

CDFC	Community Development Finance Corporation
CEDAC	Community Economic Development Assistance Corporation
DED	Department of Economic Development
DHCD	Department of Housing and Community Development
EOEA	Executive Office of Environmental Affairs
EOTC	Executive Office of Transportation and Construction
MDFA	Massachusetts Development Finance Agency
MOBD	Massachusetts Office of Business Development

### **III. Federal Agencies**

EDA	Economic Development Administration
HUD	Department of Housing and Urban Development
SBA	Small Business Administration

### **IV. Public Funding Programs**

CARD	Commercial Area Revitalization District (from DHCD)
CDAG	Community Development Action Grants (from DHCD)
CDBG	Community Development Block Grants (from HUD and DHCD)
CEED	Community Enterprise Economic Development (from DHCD)
EDIP	Economic Development Incentive Program (from MOBD)
MCZM	Massachusetts Coastal Zone Management (from EOEA)
MCCF	Massachusetts Community Capital Fund (from DHCD)
MIGS	Massachusetts Incentive Grants (from DHCD)
PWED	Public Works and Economic Development Grants (from EOTC)
TIF	Tax Increment Financing (from MOBD)
UDAG	Urban Development Action Grants
URDG	Urban Revitalization Development Grants (from DHCD)

## **GUIDE TO RESOURCES**

### **I. LEGAL CITATIONS**

Redevelopment Authorities -- Chapter 121B of Massachusetts General Laws

Urban Redevelopment Authorities -- Chapter 121A of Massachusetts General Laws

Economic Development and Industrial Corporations -- Chapter 121C of Massachusetts General Laws

Community Development Departments -- Chapter 43C, Section 12 of Massachusetts General Laws

Development and Industrial Commissions -- Chapter 40, Section 8A of Massachusetts General Laws

Industrial Development and Finance Authorities -- Chapter 40D of Massachusetts General Laws

Economic Assistance Coordinating Council -- Chapter 19, Acts of 1993

(Note: Organizations not listed here do not have specific authorizing legislation. Most of these however, are incorporated under Chapter 180 for private, non-profit corporations.)

## **II. RESOURCES FOR ESTABLISHING THE ORGANIZATION**

**Redevelopment Authorities** -- Division of Community Services, DHCD, 100 Cambridge Street, Boston.

**Urban Redevelopment Corporations** -- For the City of Boston, the Boston Redevelopment Authority, 1 City Hall Plaza, Boston. Elsewhere in the state, Division of Community Services, DHCD, 100 Cambridge Street, Boston.

**Economic Development and Industrial Corporations** -- Division of Community Services, DHCD, 100 Cambridge Street, Boston.

**Community Development Departments** -- Division of Community Services, DHCD, 100 Cambridge Street, Boston.

**Industrial Development Finance Authorities** -- Massachusetts Development Finance Authority, 75 Federal Street, Boston.

**Local Development Commissions** -- The Secretary of State of the Commonwealth, One Ashburton Place, Boston, MA, about incorporation and US Small Business Administration about becoming a 504 lender, (for western Massachusetts) Federal Court Building and Courthouse, 1550 Main Street Suite 212, Springfield or (for eastern Massachusetts) O'Neill Federal Building, 10 Causeway Street, Boston.

**Chambers of Commerce** -- The US Chamber of Commerce, 1615 H Street, NW, Washington, DC 20062.

**Community Development Corporations** -- CEED program, Division of Neighborhood Services, DHCD, 100 Cambridge Street, Boston.

**Economic Assistance Coordinating Council** -- Director of Economic Assistance, Massachusetts Office of Business Development, One Ashburton Place, Boston.

(Note: Organizations not listed here do not have a specific office for advice on forming an organization.)

### III. PUBLIC PROGRAMS AND FUNDING SOURCES

#### A. **From the Department of Housing and Community Development** 100 Cambridge Street, Boston, MA 02202

**Urban Revitalization Development Grants (URDG)**... A program that enables authorized agencies (usually Redevelopment Authorities) in cities and towns to develop or redevelop open, blighted, or decadent areas through 20 year grants. The new initiative can be residential, commercial, industrial, educational, recreational, medical, or governmental, and must serve a public purpose. Development is usually implemented by a private redeveloper after acquisition and disposition by the Redevelopment Authority. For a specific project, URDG pays 50% of the project cost.

**Community Development Action Grants (CDAG)**... The purpose of program is to stimulate economic development activities that attract and leverage private investment, create or retain long term employment opportunities, support commercial revitalization, create affordable housing, and revitalize distressed neighborhoods. Grants may be used to support a wide range of public activities and infrastructure.

**Massachusetts Community Development Block Grant (CDBG) Program**... Funded through Congress, the CDBG Program is part of Title I of the Housing and Community Development Act of 1974. CDBG is a tool for Massachusetts municipalities to “...develop viable... communities by providing decent housing and suitable living environment and expanding economic opportunities principally for low and moderate income persons.” This program which is the umbrella for the following specialized programs, funds municipalities to undertake a variety of community development activities. Examples of projects include loans and technical assistance to businesses; commercial improvements such as facade renovations and signs; housing rehabilitation and related activities; neighborhood and community facilities; and infrastructure. Communities with populations of 50,000 or less that have not been designated by the US Department of Housing and Urban Development (HUD) as “entitlement” communities, are eligible.

**Community Development Fund**... The Community Development Fund is the largest and most flexible component of the Massachusetts CDBG Program. The program provides for a variety of activities such as community economic development; housing acquisition, rehabilitation, demolition, and home ownership; public facilities and infrastructure improvements; social services; and community planning.

**Ready Resource Fund**... is a flexible program that focuses on economic development activities. Such activities include but are not limited to planning and feasibility studies, acquisition of property, micro and small business loan funds and assistance programs, and infrastructure and public facilities projects in support of economic development.

**Downtown Revitalization**... The Department of Housing and Community Development encourages the creation of public-private partnerships to assist communities by stimulating business development and improving the economic

viability of established but deteriorating or economically distressed downtown business districts. The agency provides training and technical assistance for communities to develop their comprehensive strategies and local organizations which focus on the downtown. There are grant funds available on a competitive basis from the Community Development Block Grant program, to undertake the physical improvements as well as to provide business assistance and market analyses.

**Massachusetts Community Capital Fund (MCCF)**... lends funds at flexible rates and terms to small businesses that are start-ups, expansions, or restructuring their debt. Applications are submitted to the program by the municipality on behalf of the business. Eligible businesses provide jobs for low and moderate income persons or contribute to the elimination of slums or blight. Uses of the funds are for acquisition of real estate, new construction or renovation, capital equipment, working capital, or refinancing.

**Section 108 Loans**... The Section 108 Loan Program provides loan guarantees for local economic development projects. Loans come from HUD but are guaranteed from the state's annual CDBG appropriations. Money is, in turn, lent to local businesses, non-profit organizations, or may be used by the community itself for revenue-producing infrastructure improvements.

**Municipal Incentive Grant Program (MIGS)**... The Municipal Incentive Grant Program is designed to assist local government officials in the planning, management, and operations of cities and towns. Innovative projects that increase management capacity, improve service delivery, or promote planning activities for both individual communities and regions are supported. Areas such as economic development, growth management, land use planning, and government operations are eligible.

**Community Enterprise Economic Development (CEED)**... The CEED program provides support to Community Development Corporations (CDCs) to carry out housing and economic development activities in targeted lower income neighborhoods. CDCs work to empower residents and revitalize neighborhoods. CDCs are shifting their focus to accommodate more economic development programs. Such activities include small business micro-loan programs, employment training, and technical assistance to help create entrepreneurial opportunities.

**Chapter 121A**... A program that provides a tax incentive for individuals or associations to develop or redevelop blighted, substandard, or decadent land and engage in a single project activity that serves a public purpose such as job development, affordable housing, a public service, etc. 121A status exempts the organization from local property taxes for from 15 to 40 years, and if a corporation, from the state corporate income tax, in lieu of which it pays a lesser urban renewal excise tax. Applications for 121A status for Boston entities are accepted by the Boston Redevelopment Authority.

**Economic Development Incentive Program (EDIP)**... The new Economic Development Incentive Program created by Chapter 19 of the Massachusetts General Laws provides a mechanism by which municipalities can stimulate economic development in distressed areas. Through the Economic Assistance Coordinating Council (EACC) which is co-

chaired by the Director of DHCD and the Director of the Department of Economic Development, municipalities can designate distressed areas as Economic Target Areas (ETAs) and smaller areas within these ETAs as Economic Opportunity Areas (EOAs). Businesses located in these areas receive special tax incentives. (see below).

## **B. Other State Agencies and Programs**

**Massachusetts Development Finance Agency (MDFA)**, (617)451-2477, 75 Federal Street, Boston. A quasi-public agency (formerly Government LandBank and Massachusetts Industrial Finance Agency) provides financing and technical assistance to manufacturers, business enterprises, real estate developers, health and elder care providers, and educational and cultural institutions. Goals are to promote affordable housing, economic development, rehabilitate blighted property, stimulate employment and new business, and strengthen local tax bases. MDFA programs include pre-development assistance, large scale real estate development, the Emerging Technology Fund, bond programs, tax-exempt lease/purchase financing, export finance programs, the Devens Commerce Center, and direct loan guarantee programs.

**Massachusetts Office of Business Development (MOBD)** (617)727-1515 or 800-5-CAPITAL, One Ashburton Place, Boston. Established in 1987, MOBD has a broad mandate to promote economic development and to expand all sectors of the state's economy. At MOBD, businesses will find a team of economic development specialists committed to responding individually to their needs. MOBD provides a full and effective range of business services to Massachusetts companies and serves as the single point of contact for all companies interested in expanding or locating in the state.

MOBD's five regional business centers and additional satellite operations provide a full array of services which include:

- Coordinated, professional responses to all business inquiries;
- Facilitation of the regulatory, permitting, and licensing processes;
- Accessibility to federal, state, local and private financial resources;
- Identification of training and recruitment resources;
- Site selection services;
- Focused industry and geographic specialization; and
- One-stop environmental permitting.

MOBD is also the agency which promotes the Economic Development Incentive Program (EDIP). The EDIP was designed to stimulate job creation and investment in distressed areas, attract new businesses, encourage existing businesses to expand and to increase overall economic development readiness. There are currently 34 Economic Target Areas throughout the state.

**Massachusetts Coastal Zone Management (MCZM)** (617)727-9530, 100 Cambridge Street, Boston. This office within the Executive Office of Environmental Affairs, develops state policy to protect coastal resources while promoting sensible development within the coastal communities. MCZM's primary function is planning and policy development. It also offers technical assistance to coastal communities through regional offices and the Boston-based Permit Advisory Service. Specific areas of assistance are Federal Consistency Review, Port and Harbor Planning, Coastal Water Quality Protection, Coordination, Special Natural Areas Protection, Emergency Management, Shoreline Public Access, Education and Public Information, Data and Information Management, and the Board of Underwater Archaeological Resources.

**Community Development Finance Corporation (CDFC)** (617) 482-9141, 10 Post Office Square, Boston. CDFC is a quasi-public statewide institution. It can invest money in business enterprises and real estate developments sponsored by community development corporations (CDCs) established in accordance with Chapter 40F of the Massachusetts General Laws, in economically depressed areas. CDFC offers several investment programs: the Contractor Bond Program, the Thrift Fund for Economic Development, the Urban Initiative Fund, and the Commonwealth Enterprise Fund.

**Community Economic Development Assistance Corporation (CEDAC)** (617)727-5944, 18 Tremont Street, Boston. A quasi-independent agency that offers technical assistance to Community Development Corporations and other non-profit community-based organizations in economically depressed areas of the state. It offers professional services and front money loans to eligible organizations to packet real estate projects and other development projects that will benefit area residents.

**Public Works Economic Development Program (PWED)** (617)973-7800, 10 Park Plaza, Boston. The PWED program was established to fund the design and construction of roads, roadways, and any other transportation-related projects deemed necessary for economic development by the Secretary of the Executive Office of Transportation and Construction upon the petition of an appropriate local executive governmental body.

**Corporation for Business, Work, and Learning** (formerly Industrial Services Program and Bay State Skills Corporation) (617)727-8158, Schrafft Center, 529 Main Street, Boston. Provides business consulting and financial services to manufacturing companies. Loans and loan guarantees are offered to assist companies that are unable to meet the requirements of traditional markets. Also creates and supports programs to update worker skills.

**Massachusetts Small Business Development Center Program (MSBDC)** (413)545-6301, University of Massachusetts, Amherst. Small Business Development Centers have been set up to provide a wide range of assistance to small businesses. The services provided by the MSBDC may be classified as: (1) Business Counseling. Small business people may receive one-on-one counseling and consultation on a range of business subjects such as finance, marketing, planning, accounting and controls, and operations. (2) Management Training. Small business persons are offered educational opportunities for active and prospective small business ventures. Topics will vary but areas covered include starting a business, financial planning, marketing, strategic planning, merchandising, and management. (3) General business information and referral services.

### **C) Federal Agencies**

**US Department of Housing and Urban Development (HUD): The Community Development Block Grants Program**, O'Neill Federal Building, 10 Causeway Street, Boston. The CDBG program distributes funds to all cities with populations of 50,000 or more and all central cities of metropolitan areas regardless of population, with specific amounts based on a formula set by Congress. Eligible activities are broadly defined, including construction of public facilities such as parks, streets, fire stations and community centers, housing rehabilitation programs, social services, and economic development programs. CDBG money can also be used for revolving loan funds. Activities must be related to a community development strategy and needs statement, and must principally benefit low and moderate income residents. Smaller cities can apply for CDBG grants

through the DHCD Small Cities Program which includes the Community Development Fund, the Ready Resource program, Downtown Partnerships, the Massachusetts Community Capital Fund, and Section 108 Loans as noted above.

**US Economic Development Administration (EDA)**, O'Neill Federal Building, 10 Causeway Street, Room 420, Box 2, Boston or EDA's Northeast Regional Office, The Curtis Center, Suite 140 South, Independence Square West, Philadelphia. This office has a wide variety of programs aimed at encouraging economic development. Priority is given to areas experiencing the greatest economic distress. EDA is particularly interested in funding economic development projects located in designated Enterprise Zones. EDA places special emphasis on assisting projects that focus on exports, entrepreneurship, and technology initiatives including innovation, transfer, and commercialization to alleviate conditions of unemployment and underemployment in economically distressed areas and regions. EDA offers the following programs:

Public Works and Development Facilities Assistance: Grants to assist communities with the funding of public works and development facilities that contribute to the creation or retention of private sector jobs and to the alleviation of unemployment and underemployment;

Local Technical Assistance: Funds awarded to help assure the successful initiation and implementation of area, state, and regional development efforts designed to alleviate economic distress;

National Technical Assistance: Funds awarded to applicants who will offer assistance to local, regional, and state organizations, and/or conduct demonstrations of and disseminate information about innovative development techniques designed to alleviate economic distress;

University Center Technical Assistance Projects: Funds for basic university center projects are used as seed money to help selected colleges and universities mobilize their own and other resources to assist in the economic development of distressed areas;

Planning Assistance for Economic Development Districts, Indian Tribes, and Redevelopment Areas: Funds are awarded to defray administrative expenses in support of economic development planning efforts of economic development districts, redevelopment areas, and Indian tribes;

Planning Assistance for States and Urban Areas: Funds are awarded to defray administrative expenses in support of economic development planning efforts of eligible applicants;

Economic Adjustment Assistance: Funds are used to assist areas experiencing long-term economic deterioration and areas threatened or impacted by sudden and severe economic dislocation. Major activity is Revolving Loan Funds.

Trade Adjustment Assistance: Funds are awarded to a network of trade Adjustment Assistance Centers which provide technical assistance to certified firms adversely affected by increased imports; and are also awarded to organizations representing trade-injured industries.

**US Small Business Administration**, for Western Massachusetts, Federal Court Building and Courthouse, 1441 Main Street, Springfield; for Eastern Massachusetts, O'Neill Federal Building, 10 Causeway Street, Boston. Administers various programs that provide loans and management assistance to small businesses. Programs include: Small Business Loan Guarantee and 7(a) Loan

Program for independently owned and operated businesses that fall within SBA size guidelines; Certified Development Company Loans, which is an alternative form of expansion financing created to provide second mortgage financing at low cost for businesses acquiring real property and equipment not available from conventional sources; Small Business Investment Companies (SBICs) and Minority Enterprise Small Business Investment Companies (MESBICs) which are capital corporations formed to encourage private sector investment in small businesses. Equity funds, long-term loans, and management assistance are provided for start-ups, expansions or acquisitions, particularly to innovative ventures developing new products or markets.

#### **IV. REGIONAL PLANNING AGENCIES**

Nathanial W. Karns, Executive Director  
Berkshire County Regional Planning Commission  
33 Dunham Mall  
Pittsfield, MA 01201  
413-442-1521; FAX: 413-442-1523

Jay DiPucchio, Administrator  
Franklin County Commission  
Courthouse  
425 Main Street  
Greenfield, MA 01301  
413-774-3167; FAX: 413-774-3169

Timothy W. Brennan, Executive Director  
Pioneer Valley Planning Commission  
26 Central Street  
West Springfield, MA 01089  
413-781-6045; FAX: 413-732-2593

Lila Michaud, Assistant Director  
Montachusett Regional Planning Commission  
RI 427 Water Street  
Fitchburg, MA 01420  
508-345-7376; FAX: 508-345-9867

William Newton, Executive Director  
Central Massachusetts Regional Planning Commission  
20 Washington Street, Suite 300  
Worcester, MA 01608  
508-756-7717; FAX: 508-972-6818

Robert W. Flynn, Executive Director  
Northern Middlesex Council of Governments  
115 Thorndike Street  
Lowell, MA 01852  
508-454-8021; FAX 508-454-8023

Gaylord Burke, Executive Director

Merrimack Valley Planning Commission  
160 Main Street  
Haverhill, MA 01830  
508-374-0519; Fax: 508-370-4890

David C. Soule, Executive Director  
Metropolitan Area Planning Council  
60 Temple Place  
Boston, MA 02108  
617-451-2770; Fax: 617-482-7185

Daniel M. Crane, Executive Director  
Old Colony Planning Council  
70 School Street  
Brockton, MA 02401  
508-583-1833; Fax 508-559-8768

Stephen C. Smith, Executive Director  
Southeastern Regional Planning and  
Economic Development District  
88 Broadway  
Taunton, MA 02780  
508-824-1367; Fax: 508-880-7869

Armondo Carbonell, Executive Director  
Cape Cod Commission  
3225 Main Street, PO Box 226  
Barnstable, MA 02630  
508-362-3828; Fax: 508-362-3136

Charles Clifford, Executive Director  
Martha's Vineyard Commission  
PO Box 1447  
Oak Bluffs, MA 02257  
508-693-3454; Fax: 508-693-7894

John Pagini, Planning Director  
Nantucket Planning and Economic  
Development Commission  
One East Chestnut Street  
Nantucket, MA 02554  
508-228-7237; Fax: 508-228-7236

## **V. REGIONAL EMPLOYMENT BOARDS**

Heather Putnam, Executive Director  
Berkshire County  
Regional Employment Board  
184 North Street  
Pittsfield, MA 01201  
413-442-7171

Neil Sullivan, Executive Director  
Boston Private Industry Council  
2 Oliver Street, 7th Floor  
Boston, MA 02109  
617-423-3755

Patricia Auerbach, Executive Director  
Bristol County  
Regional Employment Board  
162 Pleasant Street  
Fall River, MA 02721  
508-675-1161

Joseph P. Joseph, Executive Director  
Brockton Area Regional Employment Board  
PO Box 2278  
45 Oakdale Street  
Brockton, MA 02403  
508-584-1887

Stephen R. Willand, Executive Director  
Central Massachusetts  
Regional Employment Board  
10 Mechanic Street  
Worcester, MA 01608  
508-799-1590

Deane B. Sawyer, Executive Director  
Cape Cod, Martha's Vineyard and Nantucket  
Regional Employment Board  
480 Barnstable Road  
Hyannis, MA 02601  
508-775-5900

Arthur A. Schwenger, Executive Director  
Franklin/Hampshire  
Employment and Training Consortium  
One Arch Place  
Greenfield, MA 01301

413-774-3182

J. William Ward, Executive Director  
Hampden County  
Regional Employment Board  
1350 Main Street, 3rd Floor  
Springfield, MA 01103  
413-787-1547

Barbara O'Neil, Assistant Director  
Greater Lowell  
Regional Employment Board  
206 Jackson Street  
Lowell, MA 01852  
508-454-6293

Peter Vanier, Executive Director  
Lower Merrimack Valley  
Regional Employment Board  
11 Lawrence Street, 6th Floor  
Lawrence, MA 01840  
508-682-7099

Nancy Brown, Executive Director  
Metro North  
Regional Employment Board  
222 Third Street  
Cambridge, MA 02140  
617-679-0200

Anne Whooley, Executive Director  
Metro South/West  
Regional Employment Board  
275 Prospect Street  
Norwood, MA 02060  
617-769-4120

Larry Correia, Acting Chairman  
New Bedford  
Regional Employment Board  
181 Hillman Street, Bldg. 9  
New Bedford, MA 02740  
508-979-1616

Rosemary Chandler, Executive Director  
North Central Massachusetts  
Regional Employment Board, Inc.  
100 Erdman Way  
Leominster, MA 01453

508-534-1481

Paul Berrini, Executive Director  
South Coastal  
Career Development Administration  
1431 Hancock Street, 3rd Floor  
Quincy, MA 02169  
617-745-4000

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